

1. APPRAISAL USE AGREEMENT - If a review appraisal is performed, client agrees to inform appraiser immediately!

Please review the following terms of use and conditions carefully. It is important that you read this document before using or relying upon the appraiser's opinion of value contained in the appraisal report. This agreement is a legally binding contract between the appraiser's Client and the appraiser(s) signing the report regarding the access to and use of information contained therein. You agree that the price paid by you or a third party for the appraisal report is a license fee granting you only the rights set forth in this License Agreement. By retaining physical or electronic delivery of this appraisal report, you agree to the terms and conditions as outlined in this contract. The client is the only known or intended beneficiary of the appraisal. This contract requires the client to notify the appraiser if a review appraisal has been performed. This does not apply to J.P. Morgan Chase - don't send addendum to Chase.

By using, printing, downloading, viewing or communicating this opinion of value to others, you are consenting to be bound by this agreement, to bind all subsequent users to this agreement and that no party's legal recourse will exceed the amount of the appraisal fee paid. This License Agreement conveys no ownership rights or any other interest in the appraiser's opinion of value, contained in the written appraisal report, to you or any other party. All rights are reserved by the appraiser. Also see addendum #115 which is part of this agreement.

You must agree to all the terms of this license and all the conditions noted in the appraisal or you agree to destroy the physical documents, delete the electronic report file you received and refrain from forwarding them to third parties. Selling the opinion of value contained in the appraisal to anyone is prohibited. The opinion of value remains the appraiser's intellectual property and the end user is merely granted a limited license to use and rely upon this information under strict conditions of authorization outlined in this license agreement. All readers must agree that no civil or criminal liability is accepted by the appraiser and any language to the contrary on any document is rejected by all readers of this report.

A real estate appraisal is an opinion of value as of a specific date. The end user of this opinion of value is required to accept the conditions noted in this agreement in order to gain authorized use of this intellectual property – the appraiser's opinion of value. It is understood and agreed that the appraiser has been retained to provide an opinion of value regarding real property and that all work related to preparing this opinion is complete once the appraisal report is physically or electronically delivered to the client. Since all work will have been completed prior to delivery of the opinion, it is understood and agreed that appraisal fees are non-refundable.

It is understood and agreed that failure to pay for an appraisal constitutes theft of services either by the property owner or any agent of the property owner requesting appraisal services. In the event of non-payment, it is understood and agreed that the appraiser will file an affidavit claiming lien against the real property in order to create a cloud on the title. Such a claim will include charges for the appraisal fee and any legal or collection fees. The total claim may be several times the original unpaid appraisal fee. Criminal charges for theft of services will also be filed.

Client agrees that aspects of the licensed materials, including the specific design and structure of individual components constitute trade secrets of the appraiser and are copyrighted. Any copyright in and associated with all material, including without limitation all informational text, photographs, illustrations, artwork, graphics, documents, electronic data files or other materials whether publicly posted or privately transmitted, as well as all derivative works, is held by the appraiser as the original creator of the material and is protected by copyright, trademark and other intellectual property laws.

The opinion of value is understood to be a "snapshot" of the property value as of a particular effective date of appraisal. The opinion of value contains no guarantee of present or future value and is provided for informational purposes only. It is understood and agreed that the opinion of value will be one of many items of information considered by the client in order to make a real estate and/or lending decision.

It is understood and agreed that all end users of this opinion of value rely on and utilize this intellectual property at their own risk and peril and only as part of the specific situation contemplated as of the date of appraisal. Reliance involving mortgage finance transactions that close more than 60 days beyond the effective date of this appraisal is prohibited by this license agreement. Economic conditions may change and a foreclosure may take place. It must be understood that even borrowers with excellent credit may default on a property loan and that this opinion of value contains no assurances of prospective value at time of foreclosure, no assurances as to property appreciation and no assurances as to future value, physical condition or marketability. Borrowers are never the appraiser's client no matter who paid for the appraisal.

Use of this appraisal report and the opinion of value contained therein constitutes an agreement by all parties to hold the appraiser blameless for all subsequent events related to the reader's reliance on the opinion of value. It is also understood and agreed that in the event of errors or omissions on the part of the appraiser, the limit of the client's recourse is a refund of the appraisal fee paid to the appraiser.

It is further understood and agreed that any use of this opinion of value on the part of any end user includes all end users' agreements to waive the right to file suit or file a complaint against the appraiser and that a full refund of the appraisal fee will be the only compensation to the customer and the maximum recourse agreed upon as part of this intellectual property license agreement and a refund will only be made in the event of errors or omissions.

Even though appraisal requests are accepted subject to our terms of use noted in the license agreement acknowledgement, the client may provide the appraiser written notice by certified mail, return receipt, within 10 business days of the date the appraisal report was signed, that terms of this agreement are rejected. Otherwise, it is agreed that the appraiser may conclude that all provisions of this APPRAISAL USE AGREEMENT have been agreed to by the Client. If proper notice is received within 10 business days by the appraiser, the license will be terminated, the appraisal will be rescinded and a full refund will be made if

requested. In such cases, both parties agree to destroy all evidence of the null and void report. In exchange for this ten day refund policy, client agrees to waive the right to file a claim against the appraiser's errors and omissions insurance policy.

The end user of this opinion of value will indemnify and hold harmless the appraiser from any and all claims, actions, and judgments, including all costs of defense and attorney's fees incurred in defending against same, arising from and related to the end user's use of this appraiser's opinion of value pertaining to the subject real estate appraisal property.

It is also specifically understood and agreed that any discovery of organic growths, septic system problems or any other unapparent condition or latent defect that might adversely affect the opinion of value as of the effective date of appraisal renders the appraisal voidable at the option of the appraiser and the opinion of value is subject to substantial reduction in dollar amount. It is also understood and agreed that use of this opinion of value includes the end user's agreement to hold the appraiser blameless for any unapparent condition on the property. It is further agreed that an appraisal is an economic opinion of value rather than a physical inspection report for the property. If the end user has any concerns as to the physical condition of a property, they agree to obtain a property inspection and report conditions to the appraiser so that the value can be revised.

It is further understood and agreed that use of this opinion of value by any end user contains no right to sell or transfer the appraisal - especially to unintended users for unintended uses. Use of this opinion of value by the Client also includes the agreement that the opinion of value shall be protected as a literary work under the Berne Convention (1971). It is further agreed that use of the opinion of value includes the agreement that compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations and shall be protected as such. It is agreed that facts not subject to copyright protection have been refined and are protected.

Any use of this appraiser's written opinion of value for any purpose includes your acknowledgement that you have read this agreement, understand it, and agree to be bound by its terms and conditions.

You further agree that it is the complete and exclusive statement of the agreement between you and the appraiser which supersedes any proposed or prior agreement, oral or written, any other communications between you and the appraiser relating to your use of the appraiser's written opinion of value. It is also understood and agreed that all appraisals become null & void if unpaid after 30 days.

It is agreed that this contract maximizes client/third party recourse for lost revenue, profit or data or for special, indirect, consequential, incidental or punitive damages however caused and regardless of the theory of liability arising out of the use of or inability to use this opinion of value even if the appraiser has been advised of the possibility of such damages.

Per this license, it is understood and agreed that the maximum recourse for the Client and/or third parties, whether in contract, tort (including negligence), or otherwise, is the amount of the appraisal fee paid to the appraiser. The foregoing limitations shall apply under all circumstances. Only the client receives a first generation report from the appraiser.

This license is effective until terminated. Client may terminate his license to use the appraiser's opinion of value by destroying all physical and/or electronic copies of the appraisal report, including any related documentation. This license will terminate immediately without notice from the appraiser if Client elects to breach any provisions of this license contract. Upon termination, Client must destroy all copies of the appraiser's intellectual property. If any portion of this agreement is found to be void or unenforceable, the remaining provisions of this License shall remain in full force and effect.

This agreement shall be deemed to have been made in and shall be construed pursuant to, the laws of the state wherein the real property is located. It is the appraiser's intent to control distribution of this report and reduce liability to the license fee paid. This contractual language may not be acceptable to some readers of the report. This appraisal is available with no license agreement for an additional one thousand dollars payable in advance.

The appraiser's opinion of value excludes all warranties, either express or implied, including among others, implied warranties of merchantability and fitness for a particular purpose. The use of this appraisal report and opinion of value contained therein by anyone other than the stated intended user, or for any other use than the stated intended use, is prohibited.

Even though the appraisal form says that the borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties, it is specifically understood and agreed that such customary and reasonable reliance by others is still governed by the provisions of this appraisal use license agreement. The borrower is only allowed to rely on the appraisal as an indication of property value as part of the borrower's record keeping related to their mortgage finance transaction. This is the only reliance authorized by this license. All other restrictions noted in this Appraisal Use License Agreement still apply.

Borrowers, lenders and others noted in certification 23 must understand and agree that even though they may rely on the appraisal, they still do so at their own risk & peril and that this contract limits appraiser liability to the appraisal fee paid. It is understood and agreed by all parties reading this report that relying on this appraisal at their own risk and peril is still customary and reasonable given the reduced appraisal fee. It is further understood and agreed that holding the appraiser blameless for such reliance is the primary consideration exchanged for the low appraisal fee. It is understood and agreed that appraisal fees would be much higher if client/third party recourse was more than a simple refund of the license fee paid.

The URAR form states that "...modifications or deletions to the certifications are not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted."

It is understood and agreed that this appraisal use license agreement complies with these provisions and in no way changes any pre-printed certifications on the URAR form. It is also understood and agreed that this license agreement is different from an "additional certification" or a "material alteration" to the URAR. It is further agreed and understood that the U.S. Constitution prohibits government agencies from impairing the obligation of contracts - such as this appraisal use license agreement.

The opinion of value is provided for informational purposes only and reliance upon such information is only authorized for a single event or mortgage finance transaction to be closed within 60 days from the effective date of this appraisal if a borrower is involved. Such reliance is only authorized with all users agreeing to hold the appraiser blameless for all subsequent events related to or resulting from such reliance on the appraiser's opinion of value.

After 60 days, if the original contemplated mortgage finance transaction is still in process for any reason, all parties agree that the appraiser must be contacted and given the opportunity to update the appraisal. It is agreed that an update fee equal to fifty percent of the original appraisal fee will apply.

If the borrower, lender or any other party rejects any provision of this Appraisal Use License Agreement, at any time, then the license will terminate without further notice. In that event, the appraisal should be considered null and void and it is agreed that all fees paid to the appraiser will be forfeited. The lender client agrees to accept full liability for the quality of the loan. This agreement specifically bars all appraiser liability and/or responsibility and prohibits the use of any appraisal information for non-appraisal purposes.

If the client declines to provide the appraiser with a purchase agreement signed by both parties, the client hereby authorizes the appraiser to proceed without it. Client agrees to inform appraiser if subject site size is smaller than required per zoning for intended use. Only the client is a person for whose benefit & guidance the appraiser intended to supply the appraisal report. Client agrees to pay extra for non-required optional extras and to pay in advance.

Information reported in this appraisal about the condition of the property is based on a typical appraiser's visual inspection and what was disclosed to the appraiser or what the appraiser suspected or was aware of. This appraiser's inspection is understood and agreed to be different from a licensed home inspection. Client agrees to obtain a home inspection and to examine a seller's property disclosure. Client agrees to inform the appraiser regarding physical deficiencies or adverse conditions that might affect the livability, soundness or structural integrity of the property. Client understands and agrees that liability for unapparent conditions is beyond the scope of the appraisal process and this agreement. Client agrees to hold the appraiser blameless for any conditions that may be uncovered by others.

Throughout the report, there are several areas where the client agrees to inform the appraiser of specific conditions known or discovered as a result of other inspections. Acceptance of this report constitutes full agreement with all provisions of this appraisal use license agreement and with all contractual notices throughout the report. It is specifically understood and agreed that this contract requires the client to provide the appraiser a home inspection, survey & an environmental inspection. If such required inspections are waived, it is agreed that the lender client assumes all liability for the quality of the loan.

Also, it is specifically understood and agreed by the client that if the appraiser is required to appear in court or make any other required appearance as a result of making the appraisal, the client will pay the appraiser one thousand dollars per day, or any part of a day, with a two day minimum, paid in advance for such expert witness services.

2. PAYMENT IS REQUIRED WITHIN 30 DAYS OR APPRAISAL IS NULL & VOID

Unless an appraisal has been prepaid, the appraised value is subject to receipt of payment within 30 days. Since payment for services is a contingency of the appraisal and valuation, non-payment within 30 days renders the appraisal null & void automatically. The client needs to read and understand the Conditions of Appraisal Addendum included in all reports where the appraiser is extending credit to the client by providing services and submitting an invoice to be paid within 15 to 30 days as agreed.

If the appraisal report herein is more than 30 days old, the payment conditions of the appraisal may be unsatisfied. The reader of this report must, in order for this report to be utilized, obtain a separate confirmation, from this appraiser, that payment has been received. Such confirmation may be in the form of a FNMA form 1004-D noting that all conditions of appraisal have been satisfied or a revised report with contingency removed and invoice marked paid. Otherwise, the appraisal should be considered expired. Any appraisal that remains unpaid after 30 days is null & void and signatures are legally rescinded by this notice. Any use of an expired appraisal is prohibited by the appraisal use license agreement of which this notice is part as incorporated by this reference.

3. CONFIDENTIALITY NOTICE

The information contained in this electronic report is provided only for the intended user/client noted on the appraisal report and FIRREA/USPAP Addendum contained herein. This report is provided under intellectual property license and contains private, confidential & legally privileged information.

If the intended user is a lender, a courtesy copy of this report may be provided to the borrower for their record keeping purposes only. The borrower agrees to refrain from disclosing the contents of this confidential report to the seller, builder, Realtor or any other party for any purpose whatsoever. If you are not the intended user or borrower, be advised that you have

received this report in error. Any review, retransmission, dissemination, disclosure, copying, printing, distribution or action taken in reliance on it is prohibited and is unlawful. If you have received this in error, please contact the appraiser and delete the material from any computer.

If you have received this report as a result of an unauthorized release of confidential information, you must not disclose, copy or take any action in reliance upon it as it may be a forgery and is certainly a bootleg, pirated and/or illegally copied report. As noted in the appraisal use agreement, the design, structure and components of this report constitute trade secrets of the appraiser and are strictly confidential and proprietary in nature. Per paragraph 21 of the attached Appraiser's Certification, the appraiser must provide his or her WRITTEN consent before the report can be distributed by the intended user to anyone other than the borrower or the mortgagee etc. and it must be understood that the borrower is NOT the appraiser's client no matter who pays for the appraisal, or when, or how. Any request for a transfer, retype or readdressing of this report will be considered as a new appraisal assignment per USPAP. The additional limiting conditions contained in this report may render this opinion of value unsuitable for some secondary mortgage market participants and authorized recipients of this report should confirm same before forwarding it to others. However, no modifications, additions or deletions have been made to pre-printed definitions, assumptions and limiting conditions noted on the attached report form. The additional certifications included in this report are felt not to constitute material alterations to this appraisal report and are felt to be permitted. Unauthorized release of this confidential information is a violation of federal laws and constitutes a security breach under the Computer Fraud and Abuse Act (CFAA 18 U.S.C. Sec. 1030) which has been amended to cover all computers used in interstate commerce. Since anyone authorized to receive this report will be made a licensee by agreement, unauthorized use by any licensee terminates the license and the appraiser will pursue a cause of action for misappropriation of confidential information. The non-disclosure period shall extend for a period of five (5) years from the effective date of the appraisal.

Since 1978, every appraisal report authored has copyright protection that endures for life plus seventy years. Since 1989, it is not necessary to put a copyright notice on appraisals. The intended user of an appraisal receives a limited use license only. The recipient at no time owns the appraisal report work product. The recipient only has a license to use the appraisal for the intended limited use. Since the appraiser doesn't benefit when the client forwards a report to others, this is prohibited.

4. ADVISORY TO BORROWER

If you are a borrower who has received a courtesy copy of this appraisal from our lender client, please be advised that you are not to make any use of this appraisal except to retain a copy for your records. You may rely on the appraisal only as part of a mortgage finance transaction - for record keeping purposes as noted. Such reliance is restricted according to the Appraisal Use License Agreement noted above. Every effort has been made to maintain the confidentiality and security of the information contained in the appraisal. The electronic PDF file has been secured with a password encryption security process to prevent alteration of the report. Forgery of appraisals is a big problem for appraisal firms and so is piracy and/or illegal copying of confidential appraisal reports. Borrowers are not intended users and are not the appraiser's client even if you paid for the appraisal report directly to the appraiser. No matter who pays for the appraisal, the lender is the appraiser's confidential client and intended user unless otherwise expressly stated. Borrowers are prohibited from providing any copies of this appraisal to other parties including other lenders without the prior written consent of the appraiser. If a borrower wants to consider the services of another lender, the new lender must contact the appraiser and order a new appraisal. Requests for transfers, re-addressing or retyping of a previously completed appraisal must be handled as a new assignment or update appraisal per USPAP regulations. Borrowers are strictly prohibited from providing any information contained in this report to builders, real estate agents, buyers, sellers, appraisal district personnel, insurance agents or anyone else without the appraiser's prior written consent. The borrower is not an intended user or client. This license bars lawsuits and borrower complaints by contract.

5. SUPPLEMENTAL CLARIFICATION AS TO WHICH PARTIES ARE INTENDED USERS

USPAP requires appraisers to clarify which parties are intended users. The appraisal report form states that the lender/client is the intended user. However, item #23 in the Appraiser's Certification confuses this matter by saying that other parties may rely on the appraisal as part of a mortgage finance transaction. The attached appraisal use license agreement states that ONLY the lender client stated on the report is the intended user. Others who might elect to rely on the appraisal do so at their own risk and peril with the understanding that they are NOT intended users and are not primary licensees under the appraiser's intellectual property license agreement contained within this report.

Reliance is NOT the same as use under this Appraisal Use Agreement. Since USPAP requires the appraiser to supplement an appraisal report form if it is not adequate and since the URAR prohibits supplementation of the certification regarding anything material, this report may need to be revised. The appraisal use license agreement gives the lender client 30 days to confirm acceptability of this report. Within such time frame, the appraiser may elect to modify the report or refund the fee paid. After 30 days, the fee is non-refundable and no changes will be made. The lender client will have to seek out a different secondary mortgage market participant or discard the appraisal report as agreed.

6. LEGAL NOTICE TO CLIENTS AND BORROWERS

By law, a real estate appraisal must be an unbiased, impartial, neutral, independent, objective and professional opinion of market value. It is a violation of federal law for an appraiser to accept an appraisal assignment where employment to perform the appraisal or the compensation for the work is made contingent upon reaching a predetermined value or any other contingency.

The standard appraiser's certification in every appraisal includes the appraiser's certification and agreement that each report is performed in accordance with USPAP, that the comparables included in the report are locationally, physically and functionally the most similar to the subject property and that significant information was not knowingly withheld.

The appraiser must also certify and agree that the appraiser has no interest in the property being appraised and no interest or bias regarding the participants to the transaction.

Appraisers must also certify that employment and/or compensation for performing present or future appraisals was not conditioned on any agreement or understanding, written or otherwise, that the appraisal would report or support a predetermined, specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party or the attainment of a specific result or occurrence of a specific subsequent event such as approval of a pending mortgage loan application. Since most lenders link the obligation to pay appraisal fees with the closing of a loan, as a normal business practice, USPAP prohibits appraisers from billing such clients for services rendered. In most cases, the lender improperly feels that the closing will pay for the appraisal.

Please also be advised that it is a criminal violation of state law for a LENDER to pay or offer to pay appraisers where payment for an appraisal is made contingent on a minimum, maximum or pre-agreed estimate of value and where such contingent payment interferes with the appraiser's ability or obligation to provide an independent and impartial opinion of value. This violation by lenders is punishable by a fine not to exceed \$4,000 and a term of imprisonment not to exceed one year for each violation. Federal legislation is also pending that would make it a federal offense for anyone to pressure a real estate appraiser. Please also note that if two or more people are involved in pressuring an appraiser, this conspiracy to commit a misdemeanor may be considered to be a felony involving larger fines and longer terms of imprisonment.

When any client requests our services, a staff research technician will perform some preliminary research and will advise the client regarding such research results. The technician will also seek to inspect the property to confirm such preliminary research regarding actual size and condition of the property. The technician will also advise the client following each inspection so that the client can make a decision whether or not to request an appraisal. Information about the subject property and raw MLS information will be provided so that the client can evaluate it. No analysis of this preliminary information will be provided. An opinion of value will not be rendered either in writing or verbally until the client requests an appraisal in writing. If the client decides not to order an appraisal after a property inspection has been made, the client will be billed for the research & inspection in an amount not to exceed half the applicable appraisal fee. It should be understood that research and property inspection functions are separate and distinct from the appraisal process.

If, after the research and inspection process is complete, the client makes a written request for an appraisal, our appraisal department will get involved. The requested appraisal will be completed and delivered to the client as soon as possible. Only after the report has been completed and delivered will the appraiser discuss value or the valuation process. It should be understood that no one associated with this firm is authorized to discuss value on any appraisal except for the appraiser(s) signing the report. It should also be understood that all appraisal fees are non-refundable and that the lender is the appraiser's client no matter who paid for the appraisal report.

It is the policy of this organization and all members of it to obey the law related to performing appraisals and to help clients avoid breaking laws applicable to non-appraisers who may attempt to influence the appraisal process.

7. ADDITIONAL ETHICS RULE - MANAGEMENT & SCOPE OF WORK DISCLOSURE

Referral fees, gifts or other things of value connected to the procurement of appraisal assignments (such as a coupon for a discounted appraisal fee) are routinely paid by the appraiser as part of marketing efforts. Also, the appraiser may have paid a fee to be included on an approved appraiser's list. This fee is usually nominal and helps defray client costs related to maintaining appraiser information and is not paid by the appraiser with the intention of favoring the interests of the client.

8. ENVIRONMENTAL LIMITING CONDITIONS

The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances unless otherwise noted. It is possible that tests and inspections made by an expert environmental inspector might reveal some detrimental conditions. This is why an environmental inspection is part of the client's agreement to the appraiser within the appraisal use license agreement. See two page environmental addendum attached.

9. PRIVACY NOTICE

Appraisers, along with all providers of personal financial services, are now required by federal law to inform their clients of the policies of the firm with regard to the privacy of client non-public personal information. As professionals, we understand that the privacy of our clients and their clients (such as borrowers) is very important and we are pleased to provide you with this information. In the course of performing appraisals, we may collect what is known as non-public personal information about you or your borrowers. This information is often used to facilitate the services that we provide to you and may include the information provided to us by you directly or received by us from others with your authorization.

Please note that only the lender is the appraiser's client and the borrower is not our client, an intended user or an authorized licensee under our appraisal use license agreement. We do not disclose any non-public personal information obtained in the course of our engagement to non-affiliated third parties except as required by law. Anyone within our firm that has access to private information has been instructed that such information is to be maintained in strict confidence within the firm. With regard to record keeping required by appraisal regulations, we will maintain appraisal work file information protected by physical and/or electronic safeguards that comply with our professional standards to insure the security and integrity of all private information. If this appraisal report has been electronically transmitted, some level of security has been utilized in formatting the report. However, the appraiser assumes no responsibility for its accuracy and security once the report is outside the direct control of the appraiser.

10. CONTRIBUTIONS TO APPRAISAL REPORTS - COMPETENCY

If this appraisal report includes a trainee or apprentice name and signature, it is noted that such person assisted significantly with this report by performing several tasks under the direction of the appraiser and were qualified to do the tasks performed. Those tasks included but are not limited to considering the intended use and intended user, participating in the research of the subject property and/or comparable sale information, participating in the onsite inspection, developing the report, reconciling using the three approaches to value, offering a final opinion of value and otherwise assisting the supervisory appraiser substantially. Only those persons who sign the report certification provided significant appraisal assistance unless otherwise noted. I certify that anyone providing significant assistance was qualified to do the tasks performed, that I carefully scrutinized all details of such contributions and that I take full responsibility for all work done on this appraisal by all parties involved. The appraiser and supervisory appraiser, both signers of this report (when applicable) believe that they are competent to make this appraisal based on their experience and educational background. This applies to geographic competency as well.

11. EXPANDED SCOPE OF WORK COMMENTS

The following steps were employed in arriving at the final estimate of value included in the appraisal report of the subject property: An investigation was made to determine market trends, influences and other significant factors pertinent to the subject property. A request was made of the client for any available documents related to the subject property. The neighborhood was inspected. A superficial inspection of the property was performed which includes a visual inspection of the interior & exterior areas of the subject and exterior measurements for the floorplan as needed.

Although due diligence was exercised while at the subject property, the appraiser is not an expert in such matters as building codes, land use codes, structural engineering, hazardous waste or construction etc. and no warranty is given or implied as to these or other elements outside of analysis of market data. Inspections by various professionals within these fields may be recommended or required with the final estimate of market value made subject to their findings. A more detailed review of the collected data was then performed with the most relevant factors extracted and considered. Sales were researched, verified, analyzed, examined and confirmed closed from material provided by one or more service(s) that obtain information from public records as well as sales offices of the subject and comparables. The source of each comparable is noted in the grid along with a verification source such as a principal to the transaction. Market factors were weighed and their influence on the subject property was determined. Only reliable information was given consideration. Each of the comparable sales was inspected from at least the street.

The sales used were the most similar to the subject in terms of location, age, style, living area and features. Adjustments in the appraisal grid were derived from market data such as past sales, paired sales analysis and/or third party studies. A highest and best use analysis was performed for the subject property. The summary appraisal report was then completed in accordance with the standards dictated by The Appraisal Foundation in the Uniform Standards of Professional Appraisal Practice aka USPAP. The report includes sufficient data and information needed to lead the intended user to a similar conclusion of market value. Three approaches to value (sales comparison, cost & income) were considered and one or more approaches were utilized and reconciled as noted. The appraisal report was then delivered to the intended user (client) which constituted completion of the assignment. The intended use of the appraisal is the basis for measuring whether a selected scope of work produces credible assignment results. Two measures are provided for an acceptable scope of work. First, does it meet or exceed what regular intended users of that type of assignment would expect? Second, does it meet or exceed the level of work that an appraiser's peers would typically perform for that type of assignment.

The following was NOT included in the Scope of Work: Documents that pertain to title, soils, environmental, hazardous wastes, geology, construction or structural factors. None of these items are warranted by the appraiser. This is not an inspection report. A termite inspection was not performed by the appraiser. The information contained herein is not to be considered an inspection of the property under appraisal nor is it an approval or any mechanical system or structural condition of the subject property.

If other inspections reveal problems, client agrees to inform the appraiser so the valuation can be modified. This specifically includes when subject site size is too small to conform to zoning minimums. We will also decline assignments when there is insufficient market evidence with which to prepare a credible, defensible appraisal.

12. MARKET CONDITION ADDENDUM

In the last few years, many popular metro area neighborhoods have enjoyed significant property value appreciation. Less popular areas have still experienced stable to improving values. Others have experienced softening values.

Even commercial and multi-family properties have enjoyed better supply/demand equilibrium recently. Fortunately, foreclosures are now a smaller percentage of market activity than was the case in the late 1980's, though an increase has been noted in the last few years. Foreclosures are on the rise, especially in newer developments consisting of average quality tract homes built by volume builders. These homes often resale for 70-80% of the new home purchase price which often causes entire developments to be sold under short sale or foreclosure conditions. Buyers prefer new and often price themselves out of the resale market with builder options, upgrades and hidden incentives.

Once tested in the resale market, options and upgrades may increase marketability, though they typically do not contribute to an increased value on a dollar for dollar basis. It normally takes several years of property appreciation before a resale price exceeds the original new home price which includes builder blue sky and profit margins. Lenders should obtain professional market studies if they are concerned about a particular untested and unestablished development. It is beyond the scope of this appraisal to evaluate entire subdivisions for foreclosure potential.

Traditionally styled, single family detached homes on low to medium density lots have retained more of their value and have demonstrated a quicker return to stability and appreciation when compared to other less popular, higher density land uses. Low interest rates, improving property values and the outlook for more of the same in the years ahead (especially with a balanced federal budget and low inflation) may help real estate prices surpass peak levels in the next few years. Buyers might still be cautious in neighborhoods where current mortgages exceed property values. Short term investments in this market may still not be advisable since appreciation may not be sufficient to overcome real estate commissions or new home builder profit margins in some cases.

Recently, the number of local sales of new and existing homes have increased even though the national economy has sluggish areas. Also, local consumer confidence appears to reflect greater optimism as lower interest rates, better housing affordability and overall employment conditions favorably impact most market participants.

General conditions favor property transfer. Appropriate adjustments for market area and financing concessions will be made as warranted. Conventional financing is prevalent in the area with reasonable interest rates readily available for both 15 and 30 year loans. The typical marketing period for a realistically priced property in this area is considered to be less than 60 to 120 days. Supply and demand appear to be in balance unless otherwise noted.

13. FORECLOSURE PROPERTY RESALES VS. RETAIL FAIR MARKET VALUE

Virtually every subdivision in America has some bank owned properties listed for sale. In most cases, these foreclosure listings are at the extreme low end of the value range for homes the size of the subject property and are NOT fair market value indicators. Appraisers and lenders are becoming more concerned about foreclosures throughout our area - but it must be remembered that such foreclosure listings are simply NOT within the scope of the definition of fair market value.

When appraisers estimate the retail fair market value of a property, it is proper appraisal practice to place primary emphasis on retail sales and pending sales since they are the next sales to close and will be the most recent value indicators. It is also proper appraisal practice to give little consideration to foreclosure listings since they are NOT being offered under conditions identified within the definition of market value which is pre-printed on page 4 of the URAR appraisal form.

This value definition calls for conditions requisite to a fair sale, the consummation of a sale, the buyer and seller, each acting prudently, and assuming the price is not affected by undue stimulus. This definition of value also calls for the buyer and seller to be typically motivated and for a reasonable exposure time in the open market to be allowed where the price represents normal consideration for the property.

With foreclosure listings, lenders are dumping properties at below market prices, often in rough condition or in less than completed new construction condition and typical buyers don't want such properties since they prefer homes in move-in condition. Lenders marketing foreclosures often list properties at prices reflecting loan balances on the properties - not retail prices. Lenders marketing foreclosures are clearly affected by undue stimulus and real pressure to sell quickly since a home is not an asset to a lender - it is a liability. Lenders marketing foreclosures don't consider a reasonable marketing time - they price properties for quick sale to investors.

Foreclosure listings don't reflect closed sales at fair market value retail prices to typical buyers. Lenders marketing such foreclosures are not acting prudently in most cases since they are not typically motivated and the resulting selling price to the small investor segment of the market simply does not represent normal consideration for the property.

Since lenders are not in the business of owning real estate, they are only interested in performing loans since those are the lenders' real assets. Lenders want to unload non-performing loans as quickly as possible and (unfortunately) foreclosure listings only attract about 15 percent of all buyers. This small percentage of all home buyers are known as entrepreneurs or investors and they demand a very low price usually about 60% of retail price.

Without question, everything pertaining to foreclosure offerings is alien to the appraisal process and outside the definition of fair market value. Since the subject market is NOT dominated by foreclosure sales and listings, foreclosure properties should not be given significant consideration when estimating the fair market value.

If any lender wants to know the future resale value of the subject property under foreclosure resale conditions, that information can be provided if requested.

Since an appraisal is an estimate of the subject property's "most probable" selling price within a reasonable marketing time, it is appropriate to look at all recent sales in the subject size & age range then to focus on the statistical "area of central tendency" formed by a reasonable dispersion of all sample variables. The appraised value of the subject property noted on our report is clearly representative of the subject's fair market value and most probable selling price under current market conditions. There can be no question that foreclosures must be put on the back burner in our search for the subject's retail fair market value since the subject market is not dominated by foreclosures and the definition of market value excludes distress transactions.

A below market listing price or a recent sale at a below market price does not necessarily represent the retail fair market value of a property based on the definition of market value utilized by real estate appraisers. A below market asking price may influence the most likely selling price in a short period of time and should be seen as an equity opportunity for the buyer. However, the other components of the market value definition must also be given appropriate consideration and it should be remembered that most below market listings are indicative of a lender selling at loan balance, physical condition problems or both.

Just as a below market asking price doesn't necessarily correlate to market value, excessive asking prices don't necessarily equate to higher selling prices. Every home should sell in a reasonable marketing time, but only if listed at a realistic price. Overpriced properties quickly become "shop worn" and real estate agents often show buyers other more competitively priced homes. The eventual selling prices for these overpriced homes are often lower than they would have been if they had been properly priced from the start. As such, appraisers should avoid value indicators at the low end of the value range and listings at the high end of the value range. The result will be data helpful in formulating the fair market value of the appraisal property.

14. EXPOSURE TIME AND MARKETING TIME

Even though the FIRREA/USPAP addendum has some commentary regarding exposure time and marketing time, they are not the same. USPAP Statement 6 (SMT-6) defines exposure time as follows: "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market." Appraisers are obligated to develop an opinion of reasonable exposure time linked to the value opinion when the purpose of an assignment is to develop an opinion of market value. Appraisers are also required to communicate or report exposure time in an appropriate section of the appraisal report, one that presents the discussion and analysis of market conditions, and also be referenced at the statement of the value definition and at the value conclusion. Since the statement of the value definition is preprinted above the appraiser's certification and statement of limiting conditions and includes the comment that "implicit in this definition is the consummation of a sale as of a specified date... under conditions whereby...a reasonable time is allowed for exposure in the open market..." then it is proper to reference the definition here, incorporate the definition of value into this commentary by way of this reference (so that exposure time can thus be referenced at the statement of value definition as required), to reference exposure time at the value conclusion as noted in the conditions of appraisal and to have this discussion appear in a section of the report that presents the discussion and analysis of market conditions. It is also proper to identify what is considered a reasonable exposure time for this particular assignment. The intended user of this report should note that in order for the subject property of this appraisal to have the indicated market value as of the identified effective date of this appraisal, it would have been exposed for up to several months on the open market. It is important for the intended user to be informed of the exposure period inherent within the concluded market value opinion. Exposure time is different for various types of properties and under various market conditions.

The above noted exposure time was based on statistical information about days on market, information gathered through sales verification and interviews of market participants so as to ascertain total days on market over more than one listing if applicable and the underlying motivations to the sale. In contrast to exposure time, an opinion of marketing time is not required by USPAP though it is often required by supplemental standards.

For example, Fannie Mae's underwriting guidelines indicate that when marketing time is greater than six months, the appraiser must comment on the reason for the extended marketing period and its effect on the value of the property. Advisory Opinion 7 (AO-7) defines marketing time as follows: "An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal." As noted on the FIRREA/USPAP addendum, typical marketing time for the subject area is usually less than 60 to 120 days provided properties are realistically priced. Though not required by USPAP, this marketing time opinion is included for those cases when such an opinion is required by supplemental standards.

This marketing time estimate is based on one or more of the same elements used in determining the opinion of exposure time with the addition of one component: anticipated changes in market conditions. These anticipated changes account for fluctuations in the cost and availability of funds, materials, labor, as well as other supply and demand characteristics. Marketing time is not intended to be a prediction of a date of sale but the noted marketing time is contingent upon market value stability during the marketing period.

15. NOTE TO THE CLIENT ABOUT COMPARABLE SALES

This appraisal firm completes appraisals of Real Estate with at least three comparables that have sold and closed. A closed sale is a transaction that has been completed with funding finalized and deed papers transferred/recorded.

Only "arm's length" and verifiable transactions are considered and distress sales are routinely excluded because of the potential for distortion. In the past, foreclosure resales were utilized only when they reflected subject property market conditions and there were no other retail sales available. The need to use such sales has substantially diminished as of late. All MLS sales (including those of new homes) are presumed to be "arm's length" but they may not be. Some builders may report custom build job sales to the MLS and while such sales would be publicly verifiable, they would not be "arm's length." This appraisal does NOT certify that any sales are "arm's length" and the intended user of this report agrees and understands that the opinion of value noted herein is subject to confirmation of same by the client.

The sales noted in the appraisal include closing funding dates, settlement dates and/or contract dates. Occasionally, it is necessary to use a loan approved "pending" comparable that is scheduled to close within 30 days (as part of a price-trend analysis). In such cases, at least three closed sales will be included in the appraisal along with one or more pending transactions and each will be clearly labeled. When the subject transaction involves a sale from one family member to another, such a non-arm's length situation will be disclosed when such information is discovered by the appraiser.

16. ADDITIONAL NOTE ABOUT SELLER COSTS

Seller's expenses in the closing of a real estate transaction will vary. These costs include lawyer's fees, title insurance and (quite often) private mortgage insurance fees. Loan discount fees and mortgage subsidy fees have become less prevalent in the last few years as interest rates have moderated. Though FNMA has provided that financing addenda are no longer required unless concessions are uncovered, this appraiser still assumes the responsibility to investigate same. Since such costs are usually added to sales prices, appropriate adjustments will be made when such subsidies are higher than that which is typical of the subject market.

17. HIGHEST AND BEST USE SUMMARY, SUPPORT AND RATIONALE

As part of this appraisal, the subject neighborhood and subject property were carefully evaluated in order to determine the highest and best use of the subject property under appraisal. Zoning ordinances and deed restrictions (if applicable) were evaluated to determine legal uses. Economically feasible and physically possible uses of the subject property were considered as well. The subject property was evaluated "as improved" and "as if vacant" in order to determine uses that would produce some return and the one use (existing or alternative) that would produce the highest net return. Neighborhood development patterns and commercial potential were carefully considered in all unincorporated areas. The highest and best use conclusion noted on this report was consistent with all of the above considered factors. See 2006 USPAP Compliance Addendum.

The noted Highest and Best Use is thus considered reasonably probable, legal, physically possible, appropriately supported, financially feasible and results in the highest value. The procedure utilized in this report to estimate highest and best use of the subject site was to consider, in sequence, the site's possible uses, its legal uses, its feasible uses and finally the maximally productive use. Data collected for use in the neighborhood analysis and the site analysis were helpful in arriving at a final conclusion regarding Highest and Best Use. After completing this analysis, the highest and best use of the subject, as if vacant, is for development into the type of residence noted in this report. As improved, the highest and best use is for continued use as a the type of residence noted in this report except for any noted physical, functional or external obsolescence described in the cost approach. In some cases, it may be financially feasible to renovate the existing structure or remove it and build a new one. The improvements are substantially the Highest and Best Use, except for those items of depreciation noted.

18. USE OF COST APPROACH FACTORS

This appraisal firm is particularly concerned that potential liability exposure may increase if the cost approach analysis that may be contained in this appraisal is used for the purpose of obtaining insurance coverage or determining insurable value. An appraisal completed for a lender client in connection with mortgage lending should not be used or relied on for insurance purposes. If this report includes a cost approach, it should be understood that such an approach has only been developed by the appraiser as an analysis to support the opinion of the property's market value. Use of this data, in whole or in part, for other purposes is not intended by the appraiser and is prohibited by the attached appraisal use license agreement. Nothing set forth in this appraisal should be relied upon for the purpose of determining the amount or type of insurance coverage to be placed on the subject property. The appraiser assumes no liability for and does not guarantee that any insurable value estimate inferred from this report will result in the subject property being fully insured for any loss that may be sustained.

Further, the cost approach may not be a reliable indication of replacement or reproduction cost for any date (including the date of appraisal) due to changing costs of labor & materials and due to changing building codes as well as government regulations & requirements.

Even though the cost approach is no longer required by Fannie Mae, if such an approach is included in this appraisal, it was provided at the request of the client.

Per such request, development of the cost approach was attempted by the appraiser as an analysis to support the sales comparison approach and the value opinion derived from it. Because there is often insufficient market evidence to credibly support the site value, derivation of applicable total depreciation and other cost approach factors, the cost approach should not be given significant consideration by the client. Even in new construction situations, the appraiser gives the cost approach

nominal consideration in the final analysis. This appraiser will not provide an Insurable Value Worksheet to any client under any circumstances without a substantial additional fee equal to the original appraisal fee.

The cost approach is often lower than the sales comparison approach to value because of the demand for real estate in the subject market. Also, area builders don't pay union labor to build homes. In fact, many builders use guest workers from other countries at low wages - well below the national average. Since building a home is so labor intensive, such a reduced labor costs result in the cost approach being lower than in other parts of the country. It comes as no surprise then that retail prices paid for homes is above the cost approach. If normal union labor were priced in to homes and if the builder profits were at a reasonable level, the cost approach would probably exceed retail price levels by a small margin.

19. ADDITIONAL APPRAISAL FACTORS

This appraisal is subject to the following factors:

- a. It is assumed that the economy of the nation and the community in which the property is located will remain at approximate current levels.
- b. It is assumed that any presently proposed or future improvements to the property will be erected from well designed plans and built of quality materials and in a workmanlike manner.
- c. It is assumed that no changes in public or private streets, roads or freeways will be made in the reasonable future in or around the community in which the property is located, which would substantially change accessibility of the property or its visibility except those noted in the appraisal report.
- d. It is assumed that available flood maps provided by the Federal Emergency Management Agency or other source noted in the appraisal are reasonably accurate with respect to the location of Special Flood Hazard Areas in close proximity to the subject appraisal property.
- e. An elevation survey plus a Phase I Environmental Study and a favorable review of same by this appraiser are recommended. No evidence of hazardous materials were noted during the physical inspection. However, past uses or uses by adjoining property owners could have or have had a residual effect on the subject property. Current legislation on lender liability disallows an "innocent landowner defense" if an environmental study has not been performed.

20. ADDITIONAL FACTORS

This appraisal is SUBJECT TO the following additional factors:

- a. Water and wastewater service are provided the subject via public or private utility systems and are adequate to serve the entire subject property.
- b. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- c. The property is appraised free and clear of any and all liens or encumbrances, unless otherwise stated.
- d. It is assumed that the subject property is operated by a prudent and competent management team.
- e. Aggressive and competent marketing are assumed that would aid the property in achieving reasonable absorption of any vacancy if applicable.
- f. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- g. The plat maps or other illustrative materials in this report are included only to assist the reader in visualizing the property.
- h. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors. The appraiser has no knowledge whatsoever of any significant cultural, scientific, historical or environmental factors that would adversely affect the value or utility of the property.
- i. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
- j. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report.
- k. It is assumed that all licenses, certificates, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be renewed for any use on which the value estimate contained herein is based.

1. It is assumed that there is no encroachment or trespass, unless noted within the report.

These additional factors are not felt to constitute material alterations to those assumptions and limiting conditions noted on the report form. The pre-printed form assumptions and conditions have not been modified or deleted. These additional items should therefore be permitted. Any non-permitted item will be considered excluded by the appraiser.

21. ADDITIONAL USPAP COMMENTS

Definition of Inspection: The term "inspection" as used in this report is not the same level of inspection that is required for a licensed home inspection. The appraiser does not fully inspect the systems and components of the home. The appraiser is not an expert in construction materials or techniques. The focus of this appraisal is to make an economic evaluation of the subject property. If a full, detailed inspection of the property is important to the client, a full home inspection by a licensed professional is strongly recommended. The appraiser is not a home inspector or surveyor.

Revised Appraisals: Once the appraiser has completed an assignment and has submitted the final report to the client, no revisions or changes will be made UNLESS the client destroys all electronic and physical copies of the original report and agrees that such prior versions are null and void. It is hereby understood and agreed that when a revised report is accepted by the client, signatures on prior versions of the appraisal report are legally rescinded by this agreement and disclosure. Any use of rescinded versions of the report is strictly prohibited and the revised report supersedes all prior versions of the same property report. If the client requests even the correction of a single typographical error, it is understood and agreed that a single corrected page will NOT be provided. Rather, the entire revised report will be re-submitted to the client.

The appraiser's work file will include all versions of the report as required with proper notations as to what was changed. However, the client must only utilize the final revised report as agreed. The client agrees to provide only the final revised report to others for secondary mortgage market and/or review purposes. Failure to provide the final revised report to others constitutes an unauthorized change to my appraisal report and I will take no responsibility for such error on the part of the client or others.

Digital Signatures: The signatures affixed to this report and certifications were applied by the original appraiser and/or the supervisory appraiser and represent their acknowledgement of the facts, opinions and conclusions found in the report. Signatures are applied electronically using a password and are considered equivalent to a hand written signature.

22. THE SUPERVISORY APPRAISER HAS NOT MADE AN INDEPENDENT VERIFICATION OF THE COMPARABLES UTILIZED IN THIS REPORT.

23. OPINION OF VALUE VERSUS ESTIMATE OF VALUE:

The current Uniform Standards of Professional Appraisal Practice defines the market value conclusion as an opinion of value rather than an estimate of market value.

24. MLS ADVISORY:

Appraisers rely primarily on the Multiple Listing Service for publicly verifiable sales and listing information. Unfortunately, the current MLS system has substantial problems. Identical requests for information on the same day often yield different results with regard to comparable sales and archive information. Only real estate agents can input information into the MLS (appraisers cannot) and quite often agents provide information into the system weeks and months after listings are secured and sales are closed. Then, these agents back date such listings as if they had been in the system weeks and months earlier when such was not the case.

Since appraisers must check these records to determine if a subject property is currently listed, MLS records may not have any information about a property on or before the appraisal date when such research is performed. However, after the appraisal has been completed, a real estate agent may input listing or sales information that makes it appear that such information was available as of the appraisal research date when such was not the case. When research is performed for an appraisal, the entire MLS system will be searched by subject address. An archive search will also be performed.

All listing and sales information about the subject property in the system (if any) will be reported and retained in the appraiser's work file. Any available information about the subject property in the MLS archives will also be disclosed and retained. Current or recent listings of the subject property and any prior sales of the subject property within three years of the appraisal date will be of particular interest and will be fully disclosed - if such information is available. Any deed transfers noted in tax records for three years prior to the appraisal date will also be disclosed - if such information is available.

In many cases, such deed transfer dates will NOT include sales prices. The FIRREA and USPAP addendum attached discloses all the steps taken by the appraiser to try and secure such sales prices. This appraisal is based on information actually available to the appraiser during the research process on or before the date of appraisal.

This appraiser takes no responsibility for information added to the system at a later date or for computer problems resulting in inconsistent research results at time of appraisal - because this is beyond the control of the appraiser.

The client accepts the appraisal report with the understanding that the MLS may not provide the appraiser with all relevant information pertaining to the subject property or comparables when requested. If an appraisal report indicates that no information was available in the MLS system about a subject property as of the appraisal date, the client may request that the appraiser confirm this situation prior to closing.

25. UNPAID PROPERTY TAXES

No research was performed in this appraisal to determine if any special assessments or property taxes are unpaid or past due which may affect marketability. The lender should obtain proper legal services so a final determination with regard to property tax liability can be made.

26. ZONING COMPLIANCE

Unless otherwise noted on the report, the subject property appears to comply with zoning regulations. However, the lender should obtain a zoning compliance report from an attorney. Client agrees to inform appraiser if subject site size is smaller than required per zoning for intended use. If improved, the improvement on the property appears to conform to zoning regulations unless otherwise noted. If a legal, non-conforming (grandfathered) use is noted, client should confirm whether such improvement could be rebuilt without obtaining a zoning variance in the event of a major loss by fire or otherwise.

27. OCCUPANCY

The noted occupancy (owner, tenant or vacant) of the subject property is based on conditions noted at time of inspection. If the property is to be tenant occupied, the lender may need additional investor documents such as a Comparable Rent Schedule and Operating Income Statement. This additional documentation is available for an additional fee.

28. MAP REFERENCE

Unless this section of the appraisal is marked "not mapped," the map page number displayed is from one of several map books available. The location map used in the report is from ACI maps in most cases.

29. SITE VALUE

This appraisal includes a separate opinion of site value in the cost approach when applicable. The only exception would be condominium appraisals performed for FHA. The cost approach is generally impractical for determining the value of any given condo unit. Generally, the site is valued as if it is vacant and available to be developed to its highest and best use. While the comment to Standards Rule 1-3(b) required that land always be appraised as though vacant and did not recognize the possibility of a different contributory value under certain circumstances, the comment to Standards Rule 6-2(k) stated that a site may have a contributory value different from its value as if vacant. USPAP 2005 revisions underscore that USPAP does not dictate the use of any particular theory or technique. The site value noted in this report considers vacant site sales as well as the existing improvements on the site. If the opinion of value for the site is one that is not typical because of the existing improvements, a comment will be made IF the variance substantially affects the marketability of the subject property.

30. DRIVE BY APPRAISALS

This report (if noted as exterior only) is based on the appraiser's exterior inspection from the street only. Interior condition and all other factors that could not be observed from the street (such as back yard factors) were represented to the appraiser by the owner or owner's agent as being average or better. Utilization of this report by the client includes the lender's agreement to hold this appraiser harmless if factors not observable from the street are in less than average condition as reported to the appraiser by the owner or owner's agent. Even though the valuation is based on "as is" condition, it is understood and agreed by all parties that this only applies to what the appraiser is able to observe from the street and that unobserved factors (assumed average) are excluded unless they are in fact at least average in condition or repaired so as to become average or better in condition in this appraiser's professional opinion based on a subsequent full inspection of the subject property.

Unless otherwise noted in the Conditions of Appraisal section of the attached appraisal report form, this valuation is made on an "as is" physical condition basis. The valuation is also made subject to the attached contingent and limiting conditions, the basic assumptions & requirements/other conditions noted in the FIRREA/USPAP Addendum & related documentation. This assignment has been accepted by the appraiser(s) subject to the requirements of our attached appraisal use license agreement also noted in the Order an Appraisal section of our internet website at as agreed to by the client noted herein.

31. ANALYSIS OF PURCHASE AGREEMENTS

If the appraiser has noted on the report form that the subject is under contract but such documentation has not been scrutinized, then the final ratified purchase agreement was not available at the time of the appraisal request even though requests are routinely made of the lender, buyer, seller and/or Realtors for such information.

Prior to closing, this appraiser will evaluate any final agreement of sale and modify the appraisal if needed. If client does not provide the appraiser with a contract signed by both parties, client hereby authorizes the appraiser to proceed without it. In order to be considered a valid contract for sale, it must be signed by both the buyer(s) and seller(s).

32. USE OF MLS DIGITAL PHOTOS

This appraisal report may include one or more digital images not personally captured by the appraiser.

Fannie Mae and others allow the use of such images as long as they are sufficiently clear and descriptive of the property involved. On occasion, lighting conditions will be inadequate for the appraiser to capture a quality image of a comparable property when such comparable is inspected for use in an appraisal. Also, some comparables are in guarded & gated developments where no photos are allowed and MLS images may be used to augment the appraiser's driveby of the comparable and/or examination of aerial photos & tax office photos when available.

33. MAILING ADDRESS VERSUS PHYSICAL ADDRESS ADVISORY

We perform real estate appraisals of many properties that are physically located in one city or town but are close to a post office in a different adjacent community for mailing address purposes. Even though Fannie Mae assumes the address is the mailing address, the reader of this report is advised that this firm only identifies the physical address of the subject property.

Quite often, tax records will indicate that a home is physically located in one town. However, the nearest post office may be several miles away in a different town - perhaps in a different county. Tax records may correctly identify both the physical address and the mailing address but this is not always the case. Clearly, a home that is physically located within the city limits of one community cannot also be physically located in another town in another county.

For real estate appraisal purposes, we must only identify the actual physical location of the property. Mailing addresses may not best identify a property's physical location and legal description for appraisals purposes.

Our appraisals pinpoint the city and county where the subject property physically exists. If the property is located in an unincorporated area, we note that our property is (near) the closest town.

Real Estate Appraisers are required to provide physical locations and precise legal descriptions so that readers of the appraisal can look at a plat map, go to the site and identify & access the property if needed. If there is a difference between the physical address and mailing address, an appraisal will only provide the physical address so that our report won't be misleading.

34. MINERAL RIGHTS ADVISORY

The subject property may not include mineral rights in its fee simple estate. A title company should be consulted for an accurate analysis. Even if this is found to be the case, it is this appraiser's opinion that buyers who consider the purchase of a property in this market would not find mineral rights to be an important consideration.

It is, however, strongly recommended that due diligence be performed by the lender as this appraiser is not qualified to determine the value of mineral rights or lack thereof. The appraiser is basing this conclusion strictly as a professional opinion as there is limited market data available which identifies whether or not mineral rights were included or excluded in comparable sale transactions. Exhaustive title company research and interviews is beyond the scope of this appraisal - especially as this information is not typically available for general public inquiries. This opinion of value is based strictly on what typical buyers would be willing to pay for the subject property if intending to utilize the property for residential intended use noted without regard for mineral rights. It is strongly recommended that the prospective buyer be informed in advance of this condition and if the lender has concerns regarding the positive or negative effects of the mineral rights in question (or lack thereof), this should be analyzed by a mineral rights valuation expert.

35. PREDOMINANT VALUE

The subject value noted in this report may be above or below the predominant value for the neighborhood. However, it is well within the overall range of value and a value different from the predominant doesn't represent an adversity for purposes of this appraisal. Even if the subject value is near the top end of the neighborhood value range and is well above the predominant value, it is my professional opinion that the subject does not represent an over-improvement or super-adequacy for the neighborhood. If the subject value falls outside the overall neighborhood range of value, the client will be alerted and special comments will be made regarding functional concerns, diminishing returns and other value issues. New construction in a neighborhood usually sell for the highest prices.

36. APPRAISAL TRANSFER POLICY

For those who request an appraisal “retype,” “readdressing” or “transfer” to a new lender, please be advised that the original lender is still our confidential appraisal client - no matter who paid for the appraisal. Out of loyalty to our original lender client, we would prefer NOT to get involved in a transfer to a new lender. However, out of courtesy to you and your new lender, we will help - but only under certain conditions. Due to the many changes in appraisal regulations this year concerning original client privacy, “intended use,” “intended user” and the numerous security features included in the original report, we must treat your request as if it were a completely new “update” appraisal assignment.

As part of our service to you, we will have to re-inspect the exterior of the subject property to confirm its previous condition as of today’s date. We will also perform new appraisal research to see if any better, more recently closed comparables have become available. We will have to take new photos of the subject property and photos of any new comparable sales. We must also modify several components of the appraisal report including many security features, client & borrower information, effective date, signing date, FIRREA and USPAP addenda. We may also have to modify flood maps, location maps and photo pages. We must perform all these “update” functions for you - even if the old report was completed last week!

The only thing we don’t have to handle a second time is the floorplan. Therefore, we will reduce our regular appraisal fee by fifty dollars since we don’t have to re-measure the home. Even though you may only want us to “readdress” the report, please remember that we must perform a brand new appraisal report as of today’s date for a new lender client.

The new lender’s underwriter may ask for several “follow-up” modifications to our appraisal and we will not accept this new liability lightly. However, we will be able to handle most transfer requests in 24 hours after receiving your authorization. This way, you will not have to wait two weeks for a new appraisal.

We handle all “transfer,” “readdressing” and “update” requests in the order in which payment has been received! After we receive advance payment, we start the process. If your need is very urgent, please express mail or courier your payment to us. “While you wait” or “same day” service is not available due to our workload. Also, we no longer prepare reports in advance so that you can “pick up the paperwork” and pay at the door. Finally, we no longer have the means to deliver reports and pick up your payment at delivery. We use email or express mail only. The following contains a good explanation of federal regulations regarding “readdressing” with permission from www.appraisalstoday.com - phone Ann O’Rourke at (800) 839-0014.

37. READDRESSING AN APPRAISAL IS A NEW ASSIGNMENT

New Advisory Opinions AO 26- Readdressing (Transferring) a Report to Another Party and AO 27- Appraising the Same property for a new Client offer advice on readdressing. Every Appraisal request is a new assignment, whether it is an update or readdressing.

Readdressing example - A good example from AO 26:

Question #1 - An appraiser was engaged by Client A to appraise a property. The appraiser delivered the appraisal report to Client A. The client has decided not to pursue the transaction that generated the need for the appraisal report. The appraiser is contacted by Client B. Client B requests that the original report be readdressed (transferred) by replacing Client A’s name with Client B’s name in the report. Is this acceptable?

Answer: No. Simply changing the client name on the report cannot change or replace the original appraiser client relationship that was established with Client A. Therefore this action is misleading.

Question #2 - How can this circumstance be handled according to Standards.

Answer: The appraiser can consider Client B’s request as a new assignment. In so doing, the appraiser may establish a new appraiser-client relationship with Client B and appraise the property for this new client.

Confidentiality - As a matter of business practice, some appraisers request a release from a prior client before accepting an assignment to appraise the same property for a new client or to disclose the assignment for the second client to the first client. However, USPAP does not require this. Also, appraiser should be aware that, in some cases, informing a client about the existence of another client and the fact that the property was appraised for that other client may not be compliant with the portion of the Confidentiality section which states: An appraiser must protect the confidential nature of the appraiser-client relationship.

Confidential Information: confidential information is defined in USPAP as information that is either: Identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or Classified as confidential or private by applicable law or regulation

Example from AO - 27 - Competing Banks - If an appraiser has appraised a property for Bank A then is approached by Bank B to appraise the same property, does USPAP prohibit acceptance of the second assignment? No, assuming confidential information is handled correctly. This is a new assignment involving a new agreement between a client and an appraiser.

Federally related transactions - Federally related institutions can use an appraisal prepared for another federally related institutions. No "readdressing" is required. Otherwise, "if an appraisal is prepared by a fee appraiser, the appraiser shall be directly engaged by the regulated institution or its agent..."

However, appraisals are prepared for borrowers for another purpose, such as divorce, establishing a sales price, estate, etc. It would be prudent to recite disclosure in the engagement letter and in the report.

Example: Homeowner Susan Daly contacts appraiser John Hunt to perform an appraisal of her residence. She is considering refinancing and wants to determine the amount of equity in the residence before completing a loan application. Assuming the refinance would be a federally related transaction at a federally insured depository institution, what is John's responsibility to this potential client?

Answer: Before John accepts this assignment, it is his responsibility to disclose to Susan that a lender or its agent is required to directly engage the services of an appraiser in a federally related transaction and should not accept his appraisal report if Susan still wants to engage John, his disclosure allows him to accept the assignment.

Where to get more information - This brief article only covers part of the advice in the AOs. Reading the full AOs is strongly advised. They are easy to understand and offer excellent advice.

38. FLOOD MAPS AND ON LINE LOCATION MAPS

FEMA flood maps displayed on the FEMA Map Store website are considered for the subject property whenever available. This appraiser makes a cursory visual examination of available flood maps as described in paragraph #3 of the Statement of Assumptions and Limiting Conditions. This appraiser will provide a default answer, in the appraisal report, that no portion of the subject site appears to be located in an identified Special Flood Hazard Area - subject to flood certification results. Because maps are not precise enough, all appraisal reports prepared by this firm will also note that flood maps are not clear.

The client agrees to obtain a flood certification since the appraiser is not a surveyor. The FEMA website is not always available and even when up and running, it is not always possible to properly locate the subject property by address or other means. As always, a flood certification is required in all cases and it should be understood that client is responsible for the final determination of any problems. Client agrees to inform the appraiser if a property is in a flood area.

Location maps utilized in this report are provided by ACI MapPoint on line service. The location of the subject property and the comparables utilized are displayed on the map and inserted into the appraisal report. This service also displays the distance from the comparables to the subject in the "proximity to subject" section of the report grid for each comparable. Clients should consider the noted locations of each property on the map to be approximate. Since this information is provided by a third party service, this appraiser is not taking responsibility for its accuracy though it appears reliable. This map, like other maps and sketches found within the report are provided for informational purposes only. The perimeter of the attached location map represents subject neighborhood boundaries and this map was specifically scaled by the appraiser to describe such boundaries as required.

39. VOLUNTARY PUD's

If the appraisal property is located in a De Minimis planned unit development, there may be voluntary homeowner's association dues. The PUD box on the appraisal form will NOT be marked and the voluntary nature of the HOA will also be disclosed. Only when dues are mandatory will monthly or annual dues be noted on the report. If the subject dues are voluntary, then the PUD provisions are not legally enforceable and Fannie Mae does not consider a De Minimis PUD to be a PUD.

40. PROPERTIES IN UNINCORPORATED AREAS

If the appraisal property is situated outside the boundaries of a city or town, the appraisal refers to such a location as unincorporated. In such situations, there is no zoning since there is no municipal authority establishing or enforcing zoning regulations. Properties located in unincorporated county areas are often in close proximity to a city or town and enjoy all the municipal amenities without having to pay city taxes. Many buyers prefer this and the marketability of such properties may be enhanced. It does not appear that location in an unincorporated area represents an adversity for this appraisal property if applicable.

41. SPECIAL ASSESSMENTS

The appraisal report indicates that no special assessments were noted. The client agrees to advise the appraiser if any special assessments are known or pending. The client also agrees to advise the appraiser if the subject is located in a municipal utility district or special assessment or tax district. The appraiser will then consider if such a situation will have an impact on property values and/or the marketability of the subject property. Fannie Mae expects the lender to know whether or not a property is located in a special assessment or community facilities district and to be aware of the effect that assessments levied by such a district could have on property values and the marketability of the subject property. The lender must inform the appraiser to that he or she can give special consideration to the valuation of properties located in these districts.

42. NUMBER OF BEDROOMS, FUNCTIONAL UTILITY & RECENT TRENDS

Whenever we perform an appraisal, we focus on the GLA similarity of the comparables selected for inclusion in our reports. We prefer to use comparable sales that are within fifteen percent, plus or minus, of the subject property's gross living area even if those best comparables have a different number of bedrooms. At most, we will consider comparables that are twenty percent different than the subject but not more. Proper appraisal practice and supplemental standards require that comparable sales be truly interchangeable with the subject in order to be considered comparable. The appraisal form certification calls for the appraiser to certify that the sales utilized were locationally, functionally and physically the most similar to the subject property. Given similar GLA, sales with one less or one more bedroom than the subject property can be utilized since many buyers today want more living spaces. Quite often, an extra bedroom is used as an exercise room, home office, study or media room. Homes with fewer bedrooms often have larger living rooms, a formal dining room, more spacious kitchens, a breakfast nook, larger closets or more spacious master suites. As more and more "baby boomers" become "empty nesters" and demand homes with fewer bedrooms and more spacious living areas, home plans are being designed with more flexibility in mind. In most cases, home offices can easily be utilized as an occasional guest bedroom or as an additional permanent bedroom depending on a particular buyer's needs. In many markets, homes with fewer bedrooms and more comfortable living spaces are in greater demand and thus command higher prices while enjoying enhanced marketability. As long as a home has at least two bedrooms and other living spaces that could be used as a third bedroom, there is no loss in value and no loss in functional utility under current market conditions.

Additionally, a home with four bedrooms would not command higher prices since all other living spaces would be of diminished size and functionality within similar square footage constraints. No adjustments are made for number of bedrooms since adjustments for living area differential handle this factor quite well.

In most cases, homes with a single bedroom (or an unusually large number of bedrooms in a small space) do suffer significant functional obsolescence and adjustments will be made for the loss in value attributable to this factor in the functional utility section of the report - if such a problem comparable is used at all. If the subject property itself has such diminished functional utility, at least one similar comparable will be included in the report so that adjustments can be made to the other unaffected comparables based on the lower price paid for the affected comparable. In some cases, such as condominiums, a one bedroom home is certainly acceptable. Given the diminishing number of families with the need for more bedrooms and the increasing number of families with one or two adults and no children, it would be a very rare location indeed where buyers would pay a significantly higher price for a floorplan with three bedrooms versus a home with two bedrooms and an office (which could be utilized as a third bedroom) where both homes had similar gross living area and other features. Unless there is clear and compelling market evidence of a significant price difference paid, based on several matched pairs within a detailed paired sales analysis, no adjustment will be made.

A claim that a bedroom adjustment should be made, based on a single low end comparable sale, should be seen as unqualified and unsupported. An attempt to prove a substantial value difference based on inadequate market evidence should be dismissed as incompetent, irrelevant and immaterial.

43. OWNER OF PUBLIC RECORD

When the appraiser reports if the property seller is also the owner of public record, tax office records will be scrutinized to determine the owner's name. Only when the purchase contract is provided to the appraiser can the name of the seller be determined. If the client provides the appraiser a recorded deed that reflects an owner's name different from that noted on public records, the deed will be given preference since tax office records are often out of date.

44. PROPOSED CONSTRUCTION

If the subject improvements are proposed or under construction, all items reported in this appraisal regarding the subject's improvements are from plans, specifications and other information provided by the client, builder and/or other parties involved in the construction. Whenever possible, PDF prints of the plans and elevations are attached to the report. Otherwise, reduced scans of such plans are included in the report as image pages or plans are converted to APEX floor plans attached herein. Specifications are retained in the appraiser's work file whenever possible.

45. ADDITIONAL APPRAISAL REPORT EXPLANATIONS

This report contains numerous boxes that are intended to be checked either yes or no. By putting an X in the appropriate box, the appraiser is noting a general opinion but this is not intended or considered to be all inclusive. The reader of this report is also advised to carefully scrutinize any comments associated with the checked box. If a box is not checked, that does not mean the appraiser ignored the question and there may be meaningful comments in that section of the report. Information used in this report was obtained from reliable sources and confirmed whenever possible. When conflicting information was discovered, the appraiser used data from the most reliable source. Unless otherwise noted, comparable sales information was verified with the listing agent only and other principals to the transaction were not contacted. No verification was made by the appraiser regarding HOA documents, legal issues, special assessments or insurance policies, if any, as these matters are beyond the scope of this appraisal report. For purposes of this appraisal, the appraiser assumes that there are no issues that impact value adversely unless noted in this appraisal.

If the client discovers any conditions that may impact the subject value, the client agrees to compensate the appraiser for additional needed analysis and the appraiser reserves the right to modify the final value at a later date. Whenever this appraisal comments on the condition of a property factor, such a comment only refers to the appearance of that feature and not its correct operation, internal integrity, functionality or possible lack thereof. Typically, homes built prior to 1979, were painted with lead based paint. If this is a concern to the client, the client should obtain professional inspections and abatement if needed. It is the client's responsibility to order all appropriate inspections for any factor of concern. This appraisal does not serve to warrant the condition of the property. The attached appraisal use license agreement limits the appraiser's liability in all matters pertaining to rendering this opinion of value and acceptance of this report constitutes your agreement with the attached appraisal use license. Please also note that the person (s) making this appraisal report are not only competent to do so but are also geographically competent with regard to the location of the subject property. Whenever a location enjoys public transportation, that fact will be given consideration in the selection of comparables. In this market area, lack of public transportation does not appear to adversely affect value or marketability.

46. REPAIRED FOUNDATION ADJUSTMENTS

When a subject appraisal property has foundation problems, the appraisal may include downward adjustments for "repaired foundation" which reflects the reduction in expected selling price attributable to such a repaired latent defect. Please be advised that homes with repaired problems will often sell for less than homes which never had such problems. The reason is that sellers must disclose such repairs in their offerings of such properties and marketability (and value) will be adversely affected as a result.

The adjustment will reflect typical buyer reaction to the negative stigma associated with foundation repairs even after completion of repairs with a transferable warranty. If repairs have not yet been made, a second reduction reflecting the cost to cure the problem may be included as a condition adjustment. To avoid across the board adjustments, we will try to find comparables with similar defects and/or repairs to assist the appraiser in extracting appropriate value differences.

47. GARAGE CONVERSIONS

When the subject appraisal property has its original garage converted to living space, that space will be treated like a garage for comparison purposes. As required by appraisal guidelines & regulations, the subject property's original GLA (gross living area) will be compared to the original GLA of the comparables. Also, the garages of the comparables (converted or not) will be compared to the converted garage space of the subject property. Our appraisals will utilize comparables that are the most similar to the subject in terms of proximity, original GLA and age. Since we will consider the subject garage conversion space as a garage, no extra value will be given beyond that of a typical garage of the same size. Since most buyers want a functional garage for car storage, any additional value that some buyers might attribute to the additional living area afforded by the garage conversion is offset by the cost to re-convert the space back to a functional garage. In almost every case, the estimated cost to re-convert such space back to functional garage space is one thousand dollars.

If the client or underwriter wants interior photos of the garage conversion or comparables with garage conversions added to the appraisal (if none were included initially), we consider this to be an additional service requiring the advance payment of one hundred dollars.

The reason for this additional charge is that the subject converted garage space is NOT being treated as living area and the cost to cure is nominal in almost every case.

Only in very rare cases would a converted garage be considered as living area in an appraisal prepared by our firm. Several conditions would have to exist for that to occur. First, the garage would have to be attached or built-in and the conversion must be handled by professionals so that typical buyers would consider the space to be primary living area in terms of functional flow with the rest of the home, finish-out quality, central HVAC climate control and other factors. Second, a new detached or attached garage must be built that is equal to or better than the original garage in terms of quality & design. Finally, the total living area of the subject property including its converted garage space must be similar in size to the median sized home for the neighborhood. Other factors that will be given consideration include trends in the neighborhood regarding garage conversions and home enlargements plus the availability of comparables with garage conversions and new garages.

48. BASEMENTS - Fannie Mae Guidelines XI, 405.06: Gross Living Area (06/30/02)

The most common comparison for one-family properties (including units in PUD, condominium, or cooperative projects) is above-grade gross living area. The appraiser must be consistent when he or she calculates and reports the finished above-grade room count and the square feet of gross living area that is above-grade. For units in condominium or cooperative projects, the appraiser should use interior perimeter unit dimensions to calculate the gross living area. In all other instances, the appraiser should use the exterior building dimensions per floor to calculate the above-grade gross living area of a property.

Only finished above-grade areas should be used—garages and basements (including those that are partially above-grade) should not be included. We consider a level to be below-grade if any portion of it is below-grade—regardless of the quality of its "finish" or the window area of any room. Therefore, a walk-out basement with finished rooms would not be included in the above-grade room count.

Rooms that are not included in the above-grade room count may add substantially to the value of a property—particularly when the quality of the "finish" is high. For that reason, the appraiser should report the basement or other partially below-grade areas separately and make appropriate adjustments for them on the "basement and finished areas below-grade" line in the "sales comparison analysis" grid. To ensure consistency in the sales comparison analysis, the appraiser generally should compare above-grade areas to above-grade areas and below-grade areas to below-grade areas.

The appraiser may deviate from this approach if the style of the subject property or any of the comparables does not lend itself to such comparisons. However, in such instances, he or she must explain the reason for the deviation and clearly describe the comparisons that were made. This firm will adhere to Fannie Mae's guidelines with regard to Gross Living Area and will only deviate when appropriate.

For example, if the subject and other homes in the area are built on a hillside and have below grade living area to take advantage of a special view amenity, we will include below grade living area in the GLA - especially if this is what is expected in the market. Often, MLS comparable sales and tax appraisal records will include above grade living space and walk-out basement living area in the total GLA for comparison purposes. It is often difficult to impossible for appraisers to obtain accurate living area quotes for above grade and below grade spaces. As such, it may be necessary to include finished basement living space in a total GLA quote for the subject and the comparables in order to make a reasonable comparison with regard to total living area. In such cases, appropriate comments will be included informing the reader that such a deviation is being made.

49. CONTRIBUTORY VALUE OF POOLS

When applicable, the subject pool contributory value is properly included in the "as is" value of site improvements. It is no longer typical appraisal practice to identify the cost of the pool and include a charge for functional obsolescence - which was the standard appraisal method 25 years ago. The reason FNMA underwriting guidelines and USPAP were revised on this point centers on the fact that pools don't represent functional super-adequacies or over-improvements in most cases. Also, more often than not, the difference between pool cost and actual value reflects a combination of physical depreciation and seasonal demand variations - not functional obsolescence. Cost does not equal value for pools in almost every case.

As such, site improvements are to be reported at their contributory value or depreciated value. This eliminates the need to estimate the reproduction cost of large site improvements which (like pools) have highly variable retail prices. This change has helped streamline the appraisal process and has helped appraisers provide more understandable appraisal reports. The appraiser must decide whether to include pools, patios, tennis courts, wells and septic systems as site improvements, part of the site value or as part of the house. The custom of the area where the subject house is located should be considered.

In the subject market area, the custom is to include the pool as part of the site improvements. Over the last fifteen to twenty years, most appraisers in the subject area have embraced the guidelines, standards and supplemental standards calling for estimating the contributory value of the pool and including it in the "as is" value of all site improvements. When a property includes a pool, appraisal reports performed by this firm will employ this more widely accepted appraisal practice.

50. LAND TO VALUE RATIOS EXCEEDING NORMAL LEVELS

For some appraisals with the cost approach included, land value may exceed underwriting preferred levels which are often thirty percent of total value. When land to value ratios exceed thirty percent, underwriters should consider this to be typical of the subject area and that such land values reflect area site sales. Underwriters should also note that this land value factor is not a significant appraisal factor since market value considers improved sales and that the cost approach is not relevant for homes more than one year old in most cases. If this appraisal has a land value above the norm, it is not considered to represent an adversity for this appraisal since it does not significantly impact value, use, enjoyment or marketability.

51. PERSONAL PROPERTY NOT INCLUDED IN REAL PROPERTY VALUATION

Even though some personal property may exist at the subject property such as a washer, dryer, refrigerator or above ground pool, please be advised that such personal property items are not valued in this report. Our firm only provides appraisals of real property and non-real estate items are ignored even though they may remain with the property as part of a sale. They are given no value in our appraisal since our report only identifies the value of the real estate. Personal property included in a sale rarely adds value to the transaction but may enhance marketability slightly. The appraisal form has boxes to be checked for items like refrigerators but these will only be checked if the item is built in (like a sub-zero fridge) and is part of the real estate. As a matter of local custom however, free standing range ovens are considered part of the real estate even though they are not built in. The transfer of real estate often includes personal property and other non-real estate items. Such items may affect marketability but usually do not affect selling price significantly. Only the subject real property will be valued in this appraisal though non-real estate items may be included in the contract price. If comparable sales included personal property, appropriate adjustments will be made.

52. LIST PRICE VERSUS MOST PROBABLE SELLING PRICE

Since an appraisal is an estimate of the subject property's "most probable" selling price within a reasonable marketing time, it is appropriate to look at all recent sales in the subject size & age range then to focus on the statistical "area of central tendency" formed by a reasonable dispersion of all sample variables. The appraised value of the subject property noted on our report is clearly representative of the subject's fair market value and most probable selling price under current market conditions.

A below market listing price or a recent sale at a below market price does not necessarily represent the retail fair market value of a property based on the definition of market value utilized by real estate appraisers. A below market asking price may influence the most likely selling price in a short period of time and should be seen as an equity opportunity for the buyer. However, the other components of the market value definition must also be given appropriate consideration and it should be remembered that most below market listings are indicative of a lender selling at loan balance, physical condition problems or both. Quite often, homes are listed in the MLS at below market prices because of a typographical error or the list price may be based on erroneous tax office square footage and a market derived price per square foot.

Just as a below market asking price doesn't necessarily correlate to market value, excessive asking prices don't necessarily equate to higher selling prices. Every home should sell in a reasonable marketing time, but only if listed at a realistic price. Overpriced properties quickly become "shop worn" and real estate agents often show buyers other more competitively priced homes. The eventual selling prices for these overpriced homes are often lower than they would have been if they had been properly priced from the start.

Quite often, new homes will be listed in the MLS with incorrect prices as builders may have changed floorplans during construction and/or may have substantially upgraded a spec home with custom finish extras per a buyer's request. Since many homes sell and close at prices quite different from the asking price, the current list price may not reflect the upper limit of value as has often been the case in the past.

As such, appraisals prepared by this firm will focus on recent sales of the most similar comparable homes in terms of location, living area, age and features. Adjustments will be made to these most similar properties for significant differences relative to the subject property and a probability study will be made of the numerous adjusted value indications. Those adjusted value indications from the most similar of all comps considered will be given most weight in the final value estimate.

53. VALUE INCREASES DUE TO EXTENSIVE RENOVATIONS

Quite often, entrepreneurs will acquire a home in rough condition, renovate that home and sell it for a profit. Many times, such poor condition homes are acquired as a result of a bank foreclosure at a price close to half of the retail price. Typical buyers would not purchase a home in rough condition and would rather pay an entrepreneur a profit in order to move into a remodeled home. Typical buyers almost always need a home in "move in" condition. They don't have the time, money or desire to handle the remodeling chores themselves. If the subject property in this appraisal has been recently remodeled or is currently undergoing remodeling where the appraised value is contingent upon completion of such updating, the increase in value from the purchase price in rough condition to the appraised value of the remodeled home is directly attributable to the renovation process.

Entrepreneurs consider the final remodeled value of a home before buying that home in rough condition. They subtract from the final anticipated value the marketing costs, holding costs, seller contributions to buyer financing, profit margin and renovation costs in order to arrive at a justifiable initial purchase price for the home in rough condition. My family has been buying and remodeling homes since 1972 so I am very familiar with the renovation process.

There can be no question that cost does not necessarily equate to value on a dollar for dollar basis when it comes to home remodeling. It is easy to spend more than what will add to value. This is known as a diminishing returns situation. On the other hand, appropriate remodeling and renovation expenditures can optimize home condition while maintaining profitability. The entrepreneur's organizational skill is what creates profit.

When this firm performs an appraisal of a remodeled home, it is beyond the scope of the appraisal process to report or consider renovation costs. What is appropriate and relevant for the appraiser to consider are the actual updates performed and to focus on the remodeled home as it compares to recently closed, remodeled comparable sales. Prices paid for remodeled comparable sales are all that should concern lenders and appraisers - not the original price paid for a rough condition home and the costs involved in remodeling.

As such, if a lender wants a detailed list of improvements made and costs incurred, that information should be obtained from the seller since such information is not relevant to the current appraisal of the renovated home based on renovated home comparable sales. The reason this information is not pertinent to a current appraisal is that it doesn't matter what price was paid for the rough condition home or how much was spent on remodeling that home. Cost does not equate to value necessarily.

There is no reason for an appraiser to justify a value increase from original acquisition price for the rough condition home because the appraiser did not observe the rough condition home at time of sale. Appraisers should not engage in such speculation.

Lenders should understand however that if a rough condition home is purchased at around 60% of the retail value and then renovated to retail "move in" condition, the increase in value is obviously and directly related to the renovation process and the amount of the value increase will usually be related to the extent of the updating and the skill of the entrepreneur.

If a client wants an appraisal where a home is being purchased in rough condition and wants an "as is" value as well as an "as repaired" value based on extensive remodeling, this firm requires that the client provide a contractor's bid of all intended repairs - but costs for such items are not needed - just a list of what repairs are to be performed. Such an appraisal will also involve an appraiser's inspection of the rough condition home as well as a final inspection of the renovated home.

Many lenders request such appraisals for REO purposes and the analysis of current value, renovations and final value assists the lender in deciding whether to renovate the home or sell it in "as is" condition. Please be advised that our firm charges a two hundred dollar fee for such a cost benefit analysis.

54. PROXIMITY OF COMPARABLE SALES

Per USPAP, an appraiser must withdraw from an assignment whenever there is inadequate data with which to prepare a defensible, credible appraisal report. Since primary emphasis is placed on the sales comparison approach to value in most cases, the sales used will always be as close in proximity to the subject as possible. When comparable sales are recently closed from within the subject development, they will be given most weight. If such sales are limited, the appraiser will rely on experience and judgment to find comparable sales from nearby, competing developments that typical buyers feel are interchangeable with the subject development in most respects. Only when sufficient market evidence is available will an appraisal report be completed. Otherwise, the assignment will be respectfully declined.

Whenever possible, sales will be selected so that bracketing of the subject in terms of gross living area and other features can be employed. Also, sales will be selected that were preferably closed in the last six months, located within one mile of the subject property and which were within 15 to 20 percent of the subject's gross living area. Given similar living area, rarely are adjustments made for differences in design, one story versus two story, since market data doesn't often reveal a significant value difference attributable to this individual factor. Living area adjustments are usually only made when there is a GLA difference of at least fifty square feet. The appraisal process is not exact and this appraiser doesn't want to infer a degree of accuracy that does not exist. Supporting documentation that is not provided with the report is retained in the appraiser's work file. Whenever possible, MLS interior photos of the comparables were scrutinized to help determine overall condition, quality and upgrades.

If the best comparable sales available are further distant than preferred or if it is necessary to exceed typical gross & net adjustment percentages, it should be understood that this is typical of the market in most stable areas where sales are limited and this situation does not adversely affect value, use, enjoyment or marketability for the subject property unless otherwise stated.

When the subject is situated near a lake, the lake itself will be considered a zero distance factor when selecting comparable sales since typical buyers consider all properties surrounding the lake within the overall lake oriented market area.

55. NEW HOME APPRAISAL POLICY

When the subject appraisal property is a new home either proposed construction, under construction or recently completed new construction, special consideration is given to the selection of comparable sales. First of all, it should be noted that many new home sales prices do not become part of the MLS record since most builders sell directly to the buyer without the aid of a Realtor. Naturally, this is frustrating for real estate appraisers who are trying to estimate the value of other nearby new homes. The new home market is separate & distinct - used home sales are given little consideration.

Another problem for appraisers involves custom built new homes. These are usually top grade homes built on a site already owned by the new home buyer. Since there is no single sale of home and lot from the builder to the buyer, there is no "arm's length" transaction for appraisers to use as a comparable sale. It is improper to add the lot cost to the custom home contract price so as to create a "comparable sale" that did not take place.

Within this frustrating new home comparable sale environment, our company policy is to try and obtain new home sales from the MLS where builders have used a Realtor. If there is a limited number of new home sales in the MLS, we will use a combination of MLS new homes and resale comparables. If some new home sales are available and verifiable that were not reported in the MLS, they will be used if all information about the transaction can be confirmed by at least two sources such as builder, broker, tax records or title company.

These sales must be "arm's length" closings where the home and lot were conveyed in a single transaction. In each appraisal, we will contact builders doing business in the subject market area in an attempt to secure the best comparable sales. For this appraisal, we performed an exhaustive search for the best comparable sales (new and resale) from the immediate subject neighborhood and from competing developments which buyers feel are interchangeable with the subject.

56. ADJUSTMENTS TO COMPARABLE SALES

The sales used in this appraisal were selected and retained because of their similarity and comparability to the subject property. They were the most similar in terms of age, living area, site size and amenities. Typical buyers would consider these homes to be truly interchangeable with the subject property. Market oriented adjustments were made for the noted significant differences. All other factors (where no adjustments were made) are effectively equivalent to the subject attributes noted.

Proper appraisal practice is to make a descriptive comment about a subject property factor and then make a comparative comment about the comparable sale factor. For example, it may be proper to DESCRIBE the subject construction quality as "Brick/Avg".

This description of the subject quality of construction identifies the brick veneer exterior as well as the Marshall & Swift Residential Cost Handbook quality rating. Marshall & Swift has several quality ratings - low, fair, average, good, very good and excellent. These are specific construction quality ratings based on a specific set of criteria. Next, it is proper appraisal practice to make a COMPARATIVE comment about the comparable sales.

Such comparative comments are INFERIOR, SUPERIOR, EQUAL or SIMILAR. These comparative comments are designed to compare the sale to the subject property. It is NOT proper appraisal practice to describe the comparable sale. Appraisers describe the subject property features and then note how the same feature of the comparable sale compares to that of the subject property. If a comparable feature is superior to that of the subject, a downward adjustment will be made. If a feature of a comparable sale is inferior to that of the subject property, an upward adjustment will be made. IF THE FEATURE OF THE COMPARABLE SALE IS ESSENTIALLY EQUIVALENT TO THAT OF THE SUBJECT PROPERTY, THE PROPER COMPARATIVE COMMENT FOR THE SALE IS "EQUAL" OR "SIMILAR" AND NO ADJUSTMENT WILL BE MADE.

With this proper appraisal procedure in mind, please understand that comparable sales in the appraisal grid are always selected based on their similarity to the subject. The most similar homes (physically & locationally) will always be included in our reports. We will exclude distress sales such as foreclosures unless they dominate a particular neighborhood market. Within the limitations of the URAR form, we will do our best to DESCRIBE the subject property features in the grid. Then, we will compare the sales TO the subject by making the appropriate comparative comment. There will be limited descriptive information about the comparable sale attributes. For example, if the subject property quality is rated "Brick/Avg" and the comparable sale is given an EQUAL comparative comment, the reader of the report should understand that the comparable is effectively equivalent in quality and is therefore also a brick home of average quality. The same holds true for site size, condition and other relevant factors. AS ALWAYS, IF A COMPARABLE SALE HAS AN ATTRIBUTE THAT IS SIGNIFICANTLY DIFFERENT FROM THAT OF THE SUBJECT PROPERTY SUCH AS SITE SIZE, THEN THE GRID WILL DISPLAY THE SITE AREA OF THE SUBJECT AND THOSE OF THE SALES WITH ADJUSTMENTS FOR SIGNIFICANT DIFFERENCES. If the subject site and those of the comparables are all typical lots within a subdivision and have equivalent functional utility, effective building area and terrain - then no site sizes will be displayed and no site adjustments will be noted.

When adjustments are made, they will be made on the basis of paired sales analysis, information disclosed by brokers active within the market area and past experience. Sales that are similar in all but one respect can be analyzed to isolate how that one difference affects price. However, an appraiser cannot expect the sales data to reveal the value contribution of a single characteristic in all situations. Although paired sales analysis is a theoretically sound method, it is sometimes impractical because only a narrow sampling of sufficiently similar properties may be available. Living area adjustments are based on the principle of diminishing returns. Finally, it is difficult to quantify adjustment considerations attributable to the other variables present. This appraisal does not employ multiple regression analysis or price per foot techniques. GLA is calculated based on ANSI Z765-2003 standards.

Depreciation is based on the Age/Life method per M&S charts.

57. ERRORS AND OMISSIONS INSURANCE

One or more of the appraisers signing this appraisal maintain E&O insurance since many clients request that the appraiser(s) do so. It must be understood and agreed by the reader of this report that whether or not this appraisal contains a copy of the E&O insurance policy or the appraiser's terms of use, such intellectual property license contract provisions are displayed in full on the appraiser's internet websites at www.metroplexappraisalnetwork.com and www.phoenixappraisalnetwork.com. The appraiser's terms of use require all readers of this report to hold the appraiser harmless for any reliance on the opinion of value and to waive the right to file a complaint or lawsuit. The appraisal use license agreement is a legally binding contract and all copyrighted appraisal reports are released subject to its terms of use. The maximum recourse agreed upon by all parties, and only in the event of errors and/or omissions, is a refund of the appraisal fee paid to the appraiser.

58. COPYRIGHT NOTICE

Since 1978, every appraisal report authored has copyright protection that endures for life plus seventy years. Since 1989, it has not been necessary to put a copyright notice on appraisals. Courts have ruled that copyright requires originality which stems from expression, selection and arrangement. Even though the U.S. Supreme Court has ruled that mere facts (such as compiled telephone records) are not subject to copyright protection, it must be understood that what may appear to be facts on an appraisal form report are actually refined data. Even though displayed on an appraisal report form, all information regarding the property appraised reflects the appraiser's judgment and analysis based on inspections, research and confirmation. Every component of an appraisal report is the appraiser's opinion and not a raw fact.

As such, any appraisal information pertaining to the subject appraisal property cannot be construed as mere facts. MLS information or tax office information pertaining to the subject appraisal property and/or comparable sales may appear to be facts also. However, once the appraiser independently verifies this information with buyers, sellers and/or real estate agents & other

sources, raw facts have been refined, interpreted, adjusted, verified and selected by the appraiser so that facts have been enhanced into intellectual property and are thus protected by copyright.

Even though appraisal information is displayed on a standardized form report in most cases, all of the information has been selected and creatively summarized & presented on such forms by the appraiser.

The "Feist" case, which dealt with the republishing of facts in phone directories is certainly not parallel to the arrangement and enhancement of facts within the real estate appraisal process.

In the case of a real estate appraisal, the compilation of information is eligible for copyright since the appraiser has made an original selection and arrangement of facts. The appraisal report form does not dictate the selection, arrangement or expression of facts since all information presented has been refined for display and the appraiser can choose which subject property and comparable sales attributes are identified in the appraisal grid and adjusted.

Copyrighting an appraisal does prevent its component information from being extracted and used by others - especially by those who may want to use such refined information as the basis for estimating value in an automated valuation model. Anyone who attempts to extract such refined data from an appraisal, thinking that they are extracting mere facts, is in error and is violating copyright law - even if they are not doing so for monetary gain.

Client agrees that aspects of the licensed materials, including the specific design and structure of individual components constitute trade secrets of the appraiser and are copyrighted. Any copyright in and associated with all material, including without limitation all informational text, photographs, illustrations, artwork, graphics, documents, electronic data files or other materials whether publicly posted or privately transmitted, as well as all derivative works, is held by the appraiser as the original creator of the material and is protected by copyright, trademark and other intellectual property laws. Use of this opinion of value by the Client also includes the agreement that the opinion of value shall be protected as a literary work under the Berne Convention (1971). It is further agreed that use of the opinion of value includes the agreement that compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations and shall be protected as such.

59. CLOSING DATES AND CONTRACT DATES

As is noted to the right of the indicated value by sales comparison approach, our reports provide both the closing date and the contract date as required by Fannie Mae. The closing date is displayed first followed by the contract date. The full date for these two items won't fit in the space allowed so we simply note the month and year for each factor.

If a pending sale or active listing is used, we will note that such a comparable has not closed. Since we strive to use the most recent sales in every appraisal, those sales that closed in the same month as the effective date of appraisal will have closed prior to the effective date of the appraisal.

60. ACTUAL AGE AND EFFECTIVE AGE - GRID ADJUSTMENTS

Even though the appraisal form calls for an indication of actual age for the subject and comparables, adjustments may not always be appropriate if the comparable has a similar effective age to that of the subject property. Even when there is a substantial actual age difference, an age adjustment may not be warranted if the comparable sale is similar to the subject in the minds of typical buyers regarding effective age. It is often difficult for anyone to look at two older homes ten or twenty years apart in actual age and discern a significant difference. This is particularly true of properties more than thirty years old. Depending on updating, maintenance and design, two homes may have extremely similar effective ages based on similar physical depreciation, functional utility and other factors. Only when the appraiser's judgment and experience determines that an age adjustment is warranted will such be made in the appraisal grid. If a comparable is deemed to be interchangeable with the subject property in terms of effective age, no adjustment will be made. This reflects the actions of typical buyers.

61. EXTRAORDINARY ASSUMPTIONS AND ADDITIONAL APPRAISAL CONDITIONS

Information pertaining to comparable sales is derived from MLS, county records, city records and a visual inspection from the street or aerial view. The information obtained from these sources is deemed reliable. However, if this information is found to be false, the appraiser's opinion of value could be adversely affected. If such is proven to be the case, this appraisal is null and void. Note that the appraiser has not performed an interior walk-through of the comparable sales in most cases. In recent years, many MLS listings of the comparable sales include multiple interior photos and virtual tours which are often helpful to the appraiser when estimating the condition, upgrades and interior features of the comparable.

Comparable sales that closed more than six months prior to the date of appraisal are still considered to be good indicators of current market value because of the overall stability in our market area. Positive or negative time adjustments will only be made to such older sales when warranted.

Since the appraiser is not a licensed home inspector, the opinion of value is based on the assumption that there are no hidden or unapparent conditions of the property that could adversely affect value and marketability. The appraiser is not responsible or

liable for changes in property condition or changes made to the property occurring subsequent to the date of appraisal that might affect value.

This appraisal report is considered to be the appraiser's final work product. Nothing in this report can be shared with any third party for the purpose of creating an automated valuation model or for adding to an electronic data base.

If any additional work is requested with regard to this appraisal, additional fees will apply and pre-payment will be required. This is a summary appraisal report which is intended to comply with USPAP 2-2B reporting requirements. As such, it presents only a summary of all data included in the appraiser's work file. No research will be performed to certify if the subject transaction is "arm's length" since this is a matter of a legal nature and is thus beyond the scope of the appraisal process.

62. NEIGHBORHOODS DIVIDED BY MAJOR HIGHWAYS

Many older neighborhoods were built prior to the emergence of the interstate highway system. Many major highways have been built through such older neighborhoods in the last half century. Typical sellers and buyers in these areas know that the recent highway running through the development did not divide their established neighborhood.

Homes on either side of such highways are still within the same neighborhood and the highway is not felt to be a neighborhood boundary in most cases. As such, appraisals in such areas may include comparable sales on both sides of a highway since they are all part of the subject neighborhood. Underwriters should note that even though a major highway is often considered to be a neighborhood boundary, in older areas the highway is often simply part of the neighborhood it bisects. Only when a highway is a true boundary for a neighborhood will sales outside the neighborhood be excluded.

63. VALUE FLUCTUATIONS OVER TIME

Real estate values go up and down. Each appraisal is based on a particular effective date and market conditions in effect at the time. A discussion as to why values have increased or decreased over time is beyond the scope of the appraisal process for this type of report. Each appraisal stands on its own with no connections to prior or future appraisals of the same property - even when performed by the same appraiser.

Subsequent appraisals are not updates incorporating the original appraisal report by reference. Also, a prior appraised value or selling price of a home is not relevant to a current valuation and it would be a violation of USPAP for an appraiser to incorporate a prior appraisal into a current value estimate by reference or other means because the two values were based on two different sets of market conditions.

From a pure appraisal standpoint, we scrutinize what the subject property offers now in terms of condition, home size and features. It is completely irrelevant what the home provided in terms of these attributes some time in the past. Anyone performing a current appraisal of the subject property must be objective in terms of evaluating what the property offers now and it would be inappropriate to allow a prior selling price to influence the interpretation of current market evidence. For example, if an appraiser considered the prior selling price of a home 2 years ago and then attempted to perform a price trend analysis over 24 months to determine property value appreciation (or depreciation) and then attempted to factor in the value changes resulting from recent renovations, the resulting value estimate would be inherently unreliable. If a lender wants a retrospective valuation, that involves very special hypothetical conditions and extraordinary assumptions. If a lender wants a price trend analysis for a particular neighborhood or segment of the market, our appraisal firm offers those services as well. If a lender wants a cost - benefit analysis for a number of proposed renovations, those services are available at extra cost.

Since a prior value or selling price has no correlation to a current value and since prior market conditions have no reliable correlation to current market conditions, the only proper thing for an appraiser to do is to focus in on CURRENT market conditions, recent comparable sales of similar sized homes in similar overall physical condition and to make a current value judgment based on relevant market evidence.

64. TWO STORY HOME DESIGN VERSUS ONE STORY HOMES - POSSIBLE VALUE DIFFERENCES

Most neighborhoods have single story homes as well as two story home designs available. Single story homes are usually more costly to build than two level homes with the same living area and construction quality - but higher cost may not equate to higher value. Two story homes may command similar prices since they are often more visually impressive and have a smaller footprint allowing for more spacious outdoor areas including pools and patios. Such two story homes may be more popular in neighborhoods with smaller lots. Many older homeowners prefer a one story home since there are no stairs to negotiate. Others prefer a single story home because of lower energy costs.

Just as different floor plans have varying market acceptance, the number of levels a home provides might affect prices paid and thus market value. On the other hand, square footage and price per square foot are more of a concern for most real estate professionals, buyers and sellers. In many neighborhoods, it is very difficult to extract from market evidence any value difference that is specifically attributable to the number of levels a home provides. Appraisals performed by this firm will seek out comparables with the same number of levels as the appraisal property provides.

When ideal design matches are not available, similar sized homes from the subject development (regardless of the number of levels) will be given preference over other comparables outside the development. Readers of appraisals should understand that when no adjustments are made for design differences, the appraiser has indeed given consideration to making adjustments but has declined to do so because of similarity of market reaction to the different designs within the subject market or lack of market evidence to support an adjustment.

Again, square footage and price per foot are almost always more of a focus for buyers and sellers - regardless of the number of levels a home provides. As such, most appraisals will factor into the living area adjustments whether or not a comparable has its excess living area on a second level. This approach should negate the need for a two story versus one story design adjustment.

65. UNLOCKING SECURED PDF FILES

Anyone reading this appraisal should know that this report was delivered from the appraiser to the client in secured PDF format protected by password encryption. This secured PDF file is retained in the appraiser's database exactly the way it was delivered to the client via email and is dated for record keeping purposes. The secured PDF file also has a watermark which does not appear on the printed version of the report. If you have a printed version, it may be a pirated or bootleg copy. The client noted on the appraisal is the only known or intended beneficiary of the appraisal. Only the client is authorized to utilize the appraisal. Only the client receives a first generation report from the appraiser. Only the client is a person for whose benefit and guidance the appraiser intended to supply the appraisal report.

Unlocking this secured PDF file is only possible with the appraiser's password or with illegal PDF cracking software. If anyone other than the appraiser unlocks this secured PDF file for any reason, the appraisal becomes null and void immediately even if no changes were made to the appraisal.

If you have an unlocked PDF file or a printed copy of this report, this appraiser takes absolutely no responsibility for the accuracy of the content of the report you have in your possession.

If you are not the appraiser's client or a borrower, you cannot have an authorized report per the appraisal use license agreement contained herein. The client receives an original PDF from the appraiser. A borrower may receive the same PDF from the appraiser's client or a printed copy - but may only retain such report for record keeping purposes. Since the appraiser doesn't benefit when the client forwards a report to others, this is action prohibited. Anyone other than the client or borrower noted on this report who has any version of this appraisal in their possession should know that such a second or third generation copy or forwarded PDF is unauthorized by the appraiser and should only be retained for non - lending purposes. It is the appraiser's intent to control distribution of this report and reduce appraiser liability to the license fee paid.

66. PRE-CONSTRUCTION NEW HOME PURCHASE AGREEMENTS

Quite often, new home buyers will enter into an agreement with a new home builder for the construction of a new home a year or more before completion of the residence. Usually, construction will take six to nine months or more. Also, completion of the streets and utilities for the development will take another three to four months. As a reward for their patience, new home buyers enjoy special "pre-construction" prices which are usually well below the builder's regular retail price levels. A year or more after signing the initial purchase agreement, the home is completed and the buyers get to enjoy their brand new home. When the sale is reported, the initial contract price is noted along with the recent closing date.

If a post-construction appraisal is needed a couple of months after closing for re-certification, resale or refinance purposes, the current appraised value is often much higher than the initial purchase price which was negotiated fifteen months earlier at special low price levels. It should be remembered that the difference between the current value and the original purchase price reflects fifteen months or so of property value appreciation - not just a couple of months since the recent new home closing.

67. ASSESSED VALUE VERSUS MARKET VALUE

Tax office assessed value is based on a computer model estimate - also known as an AVM or automated valuation model. This mass appraisal computer estimate is essentially a sales price per square foot calculation for a large number of homes with little consideration given to condition, upgrades or problems that may exist at a particular property. Tax office appraisers rarely inspect the inside of a home to determine actual living area or if any physical condition issues or other problems are present which could impact market value. On the other hand, our appraisal firm performs property specific appraisals involving a detailed physical measurements & analyses of each property. As such, our property specific appraisals provide much better evidence of market value than the tax office computer estimate.

The vast majority of assessed values are unfortunately based on incorrect or incomplete property information and the resulting unreliable assessed values have little correlation to actual fair market value. Since tax office information about most properties is not accurate in terms of living area and recently added features, it's easy to understand that tax values based on inherently unreliable information are usually defective. Tax appraisal appraisers are required by law to assess tax value at no more than one hundred percent of fair market value based on the best evidence of that market value. A property specific appraisal is certainly better evidence of fair market value than a computer estimate.

Whenever there is a substantial difference between assessed value and our appraised value, readers of this report should understand that assessed values usually don't square with the facts.

In contrast, our appraisal not only reports what the property actually provides but also includes market evidence based on confirmed subject property attributes so that an accurate comparison and valuation can be made.

68. LIVING AREA ADJUSTMENTS IN THE GRID VERSUS COST APPROACH BASE COST PER SQUARE FOOT

Even though some review appraisers and underwriters make a comparison of the base cost per square foot for the subject property noted in the cost approach to the living area differential adjustment made in the appraisal grid, such a comparison is improper. It should be remembered that these factors are not related. The base cost per foot for the subject property is relevant only in the cost approach - which is no longer required by Fannie Mae and is only applicable for new homes.

The adjustments per square foot in the grid only apply to living area differences or the excess living area that a comparable may have beyond that of the subject or vice versa. Excess living area may only have a fraction of the value per square foot that the benchmark subject living area enjoys. In other words, buyers may pay a certain price per foot for the first two thousand square feet, for example, but may not pay much more for an additional one hundred square feet and even less for another hundred square feet. In fact, based on the principal of diminishing returns, each additional one hundred square feet beyond the norm for a neighborhood tends to contribute a smaller and smaller value on a square foot basis.

On the other hand, some neighborhoods are so popular that buyers will pay more than the base cost per foot for additional living area. So, trying to impose an artificial guideline on living area adjustments - insisting that they must be within half to two thirds of the base cost of the subject property - must be seen as incompetent, irrelevant and immaterial. The only proper way to determine living area adjustments is to make all other adjustments first and then use paired sales analysis to extract from the market evidence itself what buyers are actually paying for living area differences - regardless of cost.

Adjustments reflective of the market value difference are to be made for each foot of difference - but appraisers usually only make an adjustment when there is at least a fifty square foot difference. Appraisers don't want to imply a degree of accuracy in the appraisal process that doesn't exist - so even the smallest living area adjustments are often rounded to the nearest one hundred dollars by the appraisal software. This situation is a perfect example of how cost doesn't necessarily equal value.

In many cases, the adjustment for living area difference does give consideration to the selling prices per square foot for the comparables. However, even this consideration can be misleading and unhelpful.

Though some underwriting guidelines prefer that the adjustment for living area difference be no more than two thirds of the subject's base cost per foot in the cost approach, it is always better appraisal practice to test several different adjustments and rely on the one adjustment per foot that results in the tightest range of adjusted value indications for all the sales used in the grid. This process, relying on the appraiser's judgment and experience, works best when the comparables bracket the subject in terms of living area.

69. SPECIAL CONSIDERATIONS FOR TWO TO FOUR FAMILY RESIDENTIAL PROPERTIES

With regard to multi-family structures, it must be remembered that these are income producing properties and not typical single family residences with the focus on amenities and location. Investors care very little about anything other than net operating income. The style of home, age, exterior construction materials and location are almost irrelevant when an income producing property is generating positive cash flows. Some investors may pay lip service to what the property looks like but most focus on the bottom line. In this market, the ratio of sales price to monthly unfurnished rent is known as the gross rent multiplier.

If a property is selling for one hundred twenty times its monthly rent, investors are, in effect, paying ten years of current rent up front to own the property. Investors throughout the metro area give more consideration to GRM's for this type of property when considering a purchase than to estimating net operating income and attempting to capitalize that into a value indication based on an expected internal rate of return.

Throughout our metro market area, we have observed strong uniformity of many technical factors attributable to this type of real estate including gross rent multipliers, total sales prices, prices per unit, prices per room, prices per bedroom and prices per square foot. As such, investors often consider an entire metropolitan area to be the neighborhood for two to four family properties. Typical investors often utilize property management firms to collect rents and perform property maintenance so location is less of a concern to such absentee landlords. As such, proximity of comparables in appraisals is less of a concern to appraisers. This is especially true when sales are limited. Quite often, it is necessary to search for comparable sales more than ten or twenty miles away. However, this does not create an adversity for an appraisal since typical investors will consider all purchase opportunities in a metropolitan area without regard to the distance from one property to another.

In this market, rents for each unit form a tight range as tenant expectations are quite uniform as well. Location is less of a factor for two to four family properties and this applies to renters, investors and appraisal reports. Rents for this type of property tend to be more stable over time as well. Tenants will move several miles away for a slightly lower monthly rent rate. Current low interest rates for mortgages also entice tenants to buy if rents go up too fast. Since investors in our metro market area expect a certain rate of return given the risks associated with two to four family properties, it is easy to understand why purchase prices are so homogeneous throughout the area. The number of investors willing to purchase such properties is only a small fraction of the number of real estate buyers overall.

Given similar rents paid for similar sized rental units, investors seek to minimize acquisition costs and keep expenses under tight control in order to optimize net operating income.

Vacancies will distort cash flow so landlords can't raise rents without regard to occupancy stability. Long term tenants equate to lower expenses over time and it doesn't matter much if they are renting a newer brick unit in the suburbs or an older wood siding unit in a more established neighborhood many miles away. Rents will always be an investor's primary focus - not what the rent generating structure looks like.

As with every appraisal performed by this firm, we will strive to find highly localized rental indicators so that the subject market rent rate can be properly supported. Since investors are enjoying positive cash flows after many years of shortfalls, sales of these two to four family properties are extremely limited. Investors rarely part with a property that is generating such positive cash return on their investment. If an investor has held a property for maximum depreciation, the property may be exchanged with another investor's property on a tax free exchange rather than sold in the open market. This is another reason why sales of such properties are so limited.

Since most investors don't utilize Realtors to rent their properties it stands to reason that few investors would retain an agent to sell such a property. This is why county appraisal officials report that more than half of all deed transfers of such properties are not reported to the MLS. For this type of property, sales comparables are rarely available within two miles of the subject property. If this report includes closer proximity sales, we should feel fortunate from an appraisal and underwriting standpoint. The reason such two to four family properties are often further spread out as compared to single family homes is that multi-family zoned properties are usually scattered on the outskirts of typical neighborhoods and often serve as buffer properties between typical homes and commercial land uses. This dispersion is often a function of zoning constraints and preferences.

Since two to four family properties are more widely dispersed, represent a small fraction of the number of single family homes and rarely sell in the open market, it should be easy to understand why close proximity sales are such a rarity. Appraisal constraints involving sales dates, distance to comparables and other underwriting concerns such as gross and net adjustment percentages should not be as rigidly applied to two to four family properties. The reason is simple. Nearly identical units twenty miles apart may be generating equal rents and that's all that matters to the investor - purchaser.

Lenders should defer to the appraiser's experience and judgment in terms of the selection of appropriate comparable rental and sales comparables extracted from nearby competing market areas with equivalent locational amenities. Single family residential underwriting concerns should not be applied to two to four family properties.

70. ADJUSTMENT PERCENTAGES EXCEEDING UNDERWRITING GUIDELINES

Normal underwriting guidelines call for line item adjustments to be less than ten percent of a comparable's sales price. Guidelines also call for net adjustments to be less than fifteen percent and gross adjustments to be less than twenty five percent. On occasion, an appraisal will include adjustments that exceed preferred levels. In most cases, this results from a limited number of truly comparable sales where numerous differences necessitate market oriented adjustments. In such cases, the combination of several adjustments made to the best available sales results in higher than typical net and gross percentages. When this happens, we usually include extra comparable sales to help support the opinion of value.

These sales may be older in sales date or further distant in terms of proximity than normally preferred but will be included to help the appraiser prepare a credible, defensible appraisal. It should be understood that when the best available comparables are used, excessive adjustments may be unavoidable. This doesn't create an adversity for the appraisal process as long as there is sufficient market evidence with which to prepare a proper appraisal. The reader should understand that, when applicable, the excessive adjustments were the result of necessary and market oriented adjustments based on the appraiser's judgment and experience. If better sales had been available, they would have been included in the original report regardless of selling price. Once the appraiser has selected the best sales, made needed adjustments and rendered an opinion of value, it must be understood that requests for additional comps will be considered a new appraisal assignment and a second opinion should be obtained by the client.

71. REVIEW APPRAISALS - CLIENT MUST INFORM APPRAISER - \$200 MINIMUM REBUTTAL FEE APPLIES

Review appraisals are routinely performed for quality control and underwriting purposes. If a review appraisal is performed regarding this appraisal report, the client agrees to inform the original appraiser immediately. It is a requirement of this Appraisal Use License Agreement that the original appraiser be notified by the client, or the client's assigns, whenever a review appraisal is performed. It is understood and agreed that the appraiser must be given the opportunity to prepare a rebuttal of any adverse or negative review of the original appraiser's work. It is also understood and agreed that any review appraisal will be performed by a licensed or certified real estate appraiser as required by state law. If this component of the Appraisal Use License Agreement is breached, the appraisal will automatically become null and void.

72. CHANGING THE CERTIFICATION - USPAP Director of Research and Technical Issues, The Appraisal Foundation
Question: Must the certification be exactly the same as that presented in USPAP? May an appraiser add items to the certification?

Response: USPAP states that the report must contain a signed certification that is similar in content to the form provided in the Rules related to reporting. An appraiser may modify or add to the certification as necessary. There are also certification requirements in some jurisdictions for real property appraisal certifications and licenses as well as requirements related to membership in a professional association. Clients, intended users, and the intended use may also require additional certification items. Appraisers using preprinted appraisal forms should be aware that clients and client groups may prohibit altering the preprinted certification used in assignments performed for them, but any such prohibition is not contained in USPAP. Fannie Mae's guidelines will no longer be considered supplemental standards.

The focus on restricting Supplemental Standards to laws and regulations results in the removal of Government Sponsored Enterprises (GSE's) from the proposed definition because GSE's provide guidelines that are not laws or regulations.

73. ROOM ADDITIONS, PATIO ENCLOSURES & SUNROOMS VERSUS ORIGINAL LIVING AREA

Typical buyers give primary consideration to a home's original living area. This takes into consideration the functional utility of the floor plan, the sizes of kitchens, baths and living spaces. In most cases, room additions to a home are given secondary consideration and are often treated as bonus spaces by most knowledgeable home purchasers. As such, it is proper appraisal practice to give primary focus to a home's original living area and to treat room additions as secondary living spaces on a separate line of the appraisal grid. Handling room additions properly is critical because, in many cases, the enlargement represents an over-improvement or functional "super-adequacy" depending on the typical home size within the neighborhood.

The reason appraisers don't treat room additions or patio conversions as original living area is because they are simply not part of the original living area. The same holds true for garage conversions as was discussed earlier in this addendum. Treating any sort of a home addition as original living area will almost always result in a bloated value estimate. This is particularly true of enclosed patios with no HVAC ducts and supplemental climate control. In most cases, the heating and AC systems that were designed for the original living area are not adequate to heat or cool additional spaces that have been opened up to a major room in the home. Even though heating and cooling may be entering the room addition, this is not adequate.

Room additions must have proper HVAC vents and returns plus additional HVAC equipment to serve such additional spaces even to be considered as secondary living spaces. When a home has a large room addition, it must be remembered that the original kitchen, eating areas and bedrooms are indicative of a smaller home. In other words, adding a four hundred square foot space to a two thousand square foot home doesn't make it a two thousand four hundred square foot home. The functional flow and layout of a home with an original living area of two thousand four hundred square foot home is completely different than a smaller home with an addition or enclosed patio converted to a sunroom. Typical buyers understand the difference and will always pay less for a smaller home with a room addition.

If a home being appraised is one of the smaller homes in a subdivision and a professional room addition with proper climate control makes this small home more typical of the neighborhood in terms of total living area, then the room addition may have a contributory value similar to that of the original living area. Some appraisers may even include such an addition in the gross living area for comparison purposes. However, such an addition would have to be built to standards equal to or better than the primary residence, have a finish out very similar to the original living spaces and would have to be functionally positioned in such a way that typical buyers would not be able to detect that they were entering a room addition.

Otherwise, it is better appraisal practice to compare a home's original living area to the original living areas of the comparables and then compare a home's bonus spaces to similar bonus spaces offered by the comparables if such comparables can be found. In all cases, the client must defer to the appraiser's judgment and experience in these matters. If a home is one of the largest in a development, any addition could represent excess living area with nominal value or diminishing returns in some cases. Cost would certainly not equate to increased value, dollar for dollar, in such instances. Finally, it should be noted that even if a bonus space is treated as a separate line item in an appraisal, it may still have substantial value approaching that of the original living area on a price per square foot basis and properly excluding such bonus spaces from the original living area will usually result in a higher price per square foot for the home.

74. FHA INSECT INSPECTION REQUIREMENTS

All FHA appraisals include the requirement that an insect inspection be performed. Subterranean termites are the most destructive insect pests of wood in the United States. They cause more than \$2 billion in damage each year, more property damage than that caused by fire and windstorm combined.

In nature, subterranean termites are beneficial. They break down many dead trees and other wood materials that would otherwise accumulate. Problems occur when termites attack the wooden elements of human structures -- homes, businesses and warehouses. Their presence is not readily noticed because they hide their activity behind wallboards, siding or wood trim. Homeowners should watch for subterranean termites and take precautions to prevent infestations. Subterranean termites derive their nutrition from wood and other material containing cellulose. Moisture is important to subterranean termites, which have very little resistance to dehydration.

To survive, they must maintain contact with the soil (their primary moisture source) or other above-ground moisture sources, such as in structures with defective plumbing or guttering. Subterranean termites also must protect themselves from temperature extremes and attack by such natural enemies as ants and other insects.

Dead trees and brush are the original food source of subterranean termites. When land is cleared of this material and houses are built on these sites, termites attack the structures. Termites can enter buildings through wood in direct contact with the soil, by building shelter tubes over or through foundations or by entering directly through cracks or joints in and under foundations. Wood damage often is not found initially, but it definitely indicates termite infestation. Any wood-to-soil contact is a potential site of entry into a home.

Thorough inspections can determine whether infestations and damage are present, whether remedial control measures are needed, and what conditions can encourage termite attack. Many termite problems can be prevented through sound initial designs, mechanical alterations, and sanitation. The basic premise behind prevention is to deny termites access to food (wood), moisture and shelter. In the subject market, wood destroying insects are rated moderate to high in terms of their distribution. This is why the appraisal tradition in this area has been to require an insect inspection even when significant infestation is not readily apparent.

75. USE OF COMPARABLES WITH SALES DATES OLDER THAN SIX MONTHS

With home values fluctuating on a regular basis, use of the most recent sales is always preferred so that a current valuation can be accurately provided. Use of very recent sales is especially important when property values are declining. For some appraisals however, it may be necessary to use sales that closed more than six months prior to the date of appraisal. In such cases, positive or negative time adjustments will be considered so that these older sales can provide current value indications. If sales older than one year must be used due to limited sales or unusual subject property attributes, they will only be included as supplemental sales. This is particularly applicable for log homes, geodesic dome homes and other unusual designs. In stable markets, older sales still provide current value indications and are often very helpful.

76. TWO DEDUCTIONS FOR LACK OF COVERED PARKING

In most cases, homes that lack some sort of covered parking are considered functionally deficient. For appraisal purposes, a deduction must be made for this functional obsolescence factor. Additionally, adjustments will be made for lack of the covered parking structures themselves. If the subject property lacks covered parking and some of the comparable sales have carports or garages, the comparables will be adjusted downward for their superior functional utility and then will be adjusted further for the physical structures they enjoy which the subject lacks. As always, we will try to find comparables that lack covered parking so that we will have a market basis for making these two adjustments.

77. SURVEY RESULTS TO BE REPORTED TO APPRAISER

Client agrees that a survey will be provided to the appraiser within thirty days of delivery of the appraisal so that any problems regarding flood plain elevations, miscellaneous structures on or near the property, home location on the site, building setbacks or any other factors that might impact value and marketability for the subject property can be addressed in a revised appraisal. Failure of the client to provide such a survey so that the appraisal valuation can be modified, renders this appraisal null and void.

78. UTILITIES TURNED OFF AT TIME OF APPRAISAL INSPECTION

Often, when an appraisal inspection is performed, electricity, water and other utilities are turned off. This is particularly true of foreclosure resales. Since safe operation of plumbing, electrical and gas systems are important to home buyers, a licensed home inspection is required by this firm's appraisal use license agreement. With utilities turned off, there is no way for an appraiser to check for plumbing leaks, HVAC problems, gas leaks or other utility related issues that may affect value & marketability. FHA appraisals require the appraiser to report when utilities are turned off and a re-inspection of the property is mandatory. Often, during re-inspection, problems are discovered that require repair and followup inspections are also needed to confirm correction of all problems. For non-FHA appraisals, this appraisal requires a licensed home inspection when utilities are turned off. The appraiser assumes no liability for any unapparent conditions. The client agrees to obtain a licensed home inspection and inform the appraiser within thirty days of any problems. Even though the valuation is made on an "as is" physical condition basis, the appraised value is subject to and limited by the appraiser's certification, limiting conditions, appraisal use license agreement and all other addenda since many home factors are not readily observed during a routine appraisal inspection. Whenever non-public utilities serve a property, we will comment if they are not typical for the subject neighborhood market area.

79. DAYS ON MARKET FOR SUBJECT AND COMPARABLES

In most cases, Realtors will list properties in the MLS at very optimistic asking prices. If a property doesn't sell after two or three months, listing prices will be lowered until a property does sell or until the listing expires. Most often, this approach is a waste of time for both seller and listing agent since most showings take place during the first 45 days a property is on the market. In many cases, a property is overpriced to the point where it is effectively not "on the market" and quickly becomes shopworn. Days on market indications for the subject property and comparables may be misleading since MLS listings may not provide total days on market for all listings of the property. From an appraisal valuation perspective, it doesn't matter how long the subject property has been on the market or how long a sold property has been listed. What does matter is how quickly the market responds once the asking price has been reduced to a market oriented level to where the property is effectively "on

the market" and attracts showings. It should be noted however that even when the subject or comparables have been on the market for an excessive marketing time, the sales prices of the most recent comparable sales will always be the best indicators of the subject property's current market value and larger days on market figures don't necessarily equate to higher selling prices. Often, the opposite is the case.

80. MARKET CHANGE ADJUSTMENTS TO OLDER SALES

For many appraisals, it is necessary to include sales that closed several months earlier under different market conditions. The reason such sales are utilized is that they are the most recently closed sales that are most similar to the subject in terms of location, home size and features. Use of more recent sales may not be helpful if such sales are further distant or substantially different physically so as to mandate excessive adjustments. The appraiser makes the final selection of comparables based on judgment and experience. In most cases, sales are selected from the subject subdivision because they best reflect how typical buyers react to homes in that particular location. It is better appraisal practice to select the most similar homes from the immediate subject market area even if a market change adjustment is then needed. A negative or positive time adjustment can be made to older sales to reflect the market change that has taken place from the contract date of the comparable to the date of appraisal. This market change adjustment can be made on the basis of a percentage based mathematical formula or can be a lump sum adjustment similar in dollar amount for all applicable sales. A market change adjustment based on a formula may not correctly reflect actions of typical buyers and may imply a degree of accuracy that does not exist within the appraisal process. If so, a formula based adjustment could be misleading. Often, a lump sum adjustment is more indicative of how typical buyers would react to a sale given the time factor involved and it is the appraiser's call as to whether an equal lump sum adjustment is made to each older sale or if slightly different lump sum adjustments are in order. The appraiser must give consideration to all relevant factors and then make a market change adjustment that results in an adjusted sales price that best indicates what each comparable would have sold for, to typical buyers, on or near the date of the appraisal report.

81. APPRAISING A PORTION OF A LARGER TRACT

Fannie Mae underwriting guidelines prohibit appraising a portion of a larger tract of land. However, no such prohibition exists within USPAP. Also, underwriting guidelines provided by Fannie Mae and other government sponsored enterprises will no longer be considered to be Supplemental Standards under USPAP for 2008 and beyond. Lack of adherence to such guidelines will no longer be considered a USPAP violation. Nevertheless, it should be noted that every effort will be made to avoid providing uncertain, confusing or potentially misleading information in our appraisal reports. It should be noted that appraisers are routinely asked to provide an opinion of value for a residence and a portion of a larger tract of land.

When an appraisal report includes a land value opinion within a cost approach, many times the land value reported will be the assessed value of the land component noted on tax records - especially when reasonable land sales are not available. When the appraisal values a portion of a larger tract, assessed value for the larger tract will not be reported. If a cost approach is provided in such a report, every effort will be made to find land sales similar in size to the portion of the larger tract under appraisal. Otherwise, a reasonable percentage of the larger tract's assessed value will be reported or no land value opinion will be provided.

For example, when an assignment calls for appraising a home on one acre of land where the platted acreage on tax records is larger, it is the intent of our appraisal report to appraise the subject residence, the land the home was constructed upon and a reasonable amount of land surrounding the residence so as to total one acre. Often, the appraiser is told that such an acre will be platted and surveyed to include all other major improvements including outbuildings and pools. This site area must include reasonable ingress & egress plus must be functional in shape from the perspective of typical buyers. All such factors will be confirmed by the appraiser when the final survey is provided for appraisal review. Even though such appraisals will be made on an "as is" physical condition basis, it must be understood that the opinion of value is contingent upon and "subject to" a favorable review of the survey by the appraiser. If such a survey is not provided to the appraiser within 30 days, it is agreed and understood that the appraisal is null and void because an important condition of the appraisal was not satisfied within a timely manner.

82. UNDERWRITER FOLLOW-UP REQUESTS - limited sales in soft markets

USPAP requires appraisers to decline an assignment if there is insufficient market evidence with which to prepare a credible, defensible appraisal. The client agrees and understands that if an appraisal is prepared, the appraiser has concluded that reasonable and sufficient market evidence was indeed available. In some declining or stable areas, the number of retail home sales is very limited and sales in the prior three to six months may simply not be available for an appraisal. Since many underwriters ask for sales in the last 90 days from within the immediate subject area, such requests may be impossible to honor.

Foreclosure sales and other distress transactions are not within the scope of the definition of fair market value and will not be used even if they sold recently in the subject development or subdivision. When an appraisal is performed, it is understood and agreed by all parties that the sales selected and used will be the most similar to the subject property in terms of location, age, living area, functional utility and physical factors as required by USPAP and the appraiser's certification #7.

When recent, retail sales (sales that conform to the definition of fair market value) are not available from within the immediate subject neighborhood, we will select the best older sales and make time adjustments. We will also provide active listings and pending sales from within the subject neighborhood. When sales prices are not disclosed, we will report the asking price. Plus, we will also provide three recent sales from nearby competing areas that are considered to be interchangeable with the subject

neighborhood from the perspective of the typical buyer based on the appraiser's judgment and experience. Naturally, if foreclosure sales dominate a particular market, they will be used.

The client agrees to rely on the appraiser's judgment and experience when ideal sales are not readily available. In markets where sales are limited and/or prices are softening, it is better appraisal practice to select recent sales from nearby markets that are indicative of current market value. Older sales that closed in stronger markets are often not helpful in this regard - even if they are from within the subject development. As such, the client must understand that sales used may be further distant than normally preferred. However, it should always be understood that if better sales were available, they would have been included in the original appraisal report.

83. PREFERRED LENDER CLIENTS

Quite often, a lender will reject an appraisal out of hand and will not even give the appraiser an opportunity to respond to underwriter or review appraiser concerns. Some lenders may even file a complaint or put an appraiser on their ineligible list, without notice or due process, when ideal comparables are not available or if some language in our report is not to their liking.

Some unreasonable lenders improperly rely on review appraisers who are not licensed in our state and will try to insist that we respond to such illegal, unlicensed reviews. Clearly, when an appraiser is not given the opportunity to respond, that unprofessional attitude is not appreciated. When a lender attempts to pressure an appraiser to respond to a review appraisal performed by an unlicensed person, we ask that a local, licensed review appraiser be hired.

In every case, we render our independent opinion of value based on what we feel is the most appropriate market evidence. Many lenders are reluctant to rely on an appraiser's judgment and experience with regard to the selection of comparable sales. The kind of business our firm is seeking involves lenders who will agree to accept our judgment & experience and who won't try to improperly orchestrate the appraisal process.

During 2007, hundreds of lenders went out of business as part of the sub-prime lending fiasco and the names of these companies are noted at the WWW.LENDERIMPLODE.COM website. Unfortunately, many large national lenders were part of this problem and many are the subject of class action lawsuits and/or attorney general investigations.

Our firm provides honest, accurate appraisals and we rebuff lenders who attempt to pressure us to falsely inflate values. Recently, it has been necessary for our firm to notify clients that certain wholesale lenders are no longer on our firm's list of approved lenders. Fortunately, most of these lenders are now out of business or soon will be. These are simply not the kind of lenders our firm is willing to do business with and we would appreciate it if users of our services would not try to sell loans to them where our appraisals are involved. We do not want become entangled in their legal problems. Companies like these will no longer be able to fund loans anyway.

As we celebrate our 25th anniversary starting in 2008, we want to thank all the reasonable lenders who have worked with us over the years. To any unreasonable lenders still in business, regardless of size, our message is clear: Yours is not the kind of business we are looking for here at our professional appraisal firm. If any of our clients has a question about whether a particular lender has been removed from our approved lender list, please feel free to contact our senior appraiser any time.

84. GROSS LIVING AREA FOR CONDOMINIUM UNITS

Our firm will measure most appraisal structures to determine actual gross living area. For exterior only "drive-by" inspections, we will rely on the living area noted on property tax records. For condo units, the legally recorded living area in the articles of condominium controls.

Even when we measure a condo unit, we will quote the legally recorded GLA rather than reporting out measured square footage. Only when recorded condo footage is clearly incorrect will we rely on our measured condo square footage.

85. NEIGHBORHOOD BOUNDARIES DETERMINED BY APPRAISER

The client agrees to rely on the appraiser's judgment and experience when it comes to determining neighborhood boundaries. The client agrees not to try to impose their own arbitrary neighborhood boundaries on the appraiser - especially so comps can be within a predetermined or preferred distance of the subject property. Quite often, neighborhoods may encompass an entire county or a large physical area extending well beyond a single residential development.

Within an appraiser defined neighborhood market area, there may be several nearby, competing subdivisions. When a highway is constructed through an established neighborhood, the original neighborhood boundaries will be given primary consideration. Some large developments have sales within the same residential subdivision that are more than two miles apart. The appraiser will decide the final neighborhood boundaries and all comparables will be situated within the subject neighborhood as noted on the location map. The perimeters of each location map will be considered the neighborhood boundaries for purposes of this appraisal.

The appraiser will determine the name of the neighborhood whether it is the subject county name, the subject suburb name, a particular subdivision name including surrounding areas or a specific village name within a large development. As the number

of retail sales diminish in many markets, it may be necessary to expand some neighborhood boundaries in order to provide very recent sales in an appraisal - especially since so many lenders want sales closed within 90 to 120 days of the appraisal date.

86. FOR SALE SIGNS IN SUBJECT OR COMPARABLE PHOTOS

Every now and then, the subject property front photo or a front view of one of the comparables will have a for sale sign visible. This situation is of limited interest to the appraisal process. Appraisers give little weight to an MLS for sale sign in the yard of the subject property - as long as that property is no longer listed in the MLS. If the subject is a pending sale, a for sale sign should be in the yard!

If a for sale sign is visible in a front view of a comparable used in an appraisal, it may be an MLS photo when the property was listed for sale. Such MLS photos can be utilized when lighting conditions are poor when the appraiser inspects the comparable.

Also, if a comparable has a for sale sign in the photo, it may mean that the property is now back on the market. If a comparable is back on the market and a for sale sign is visible, that does not alter the fact that a prior sale closed and can be used in the appraisal.

In short, underwriters should only be concerned with for sale signs when the MLS notes that the subject property is currently on the market (which will be noted on the appraisal report) and the owner is trying to refinance.

87. ARM'S LENGTH TRANSACTIONS - additional comments.

Per USPAP, an arms length transaction is one in which both seller and purchaser act completely independently of each other and have no connection or relationship to each other. The definition of market value applicable in an assignment establishes the conditions for an arms length sale transaction under that definition. This firm utilizes closed sales from the MLS and whenever possible, we confirm that such sales have closed based on public records and our interviews with a principal to the transaction such as buyer, seller, listing agent or selling agent.

We understand that only arm's length transactions can provide the best indications of fair market value in an appraisal and we certainly understand lenders' concerns in this regard under current market conditions. As such, our firm does not consider non-MLS sales or non-MLS offerings since such transactions are usually not publicly verifiable or reliable. If we can confirm through public records or title company settlement documents that a sale closed and if we can confirm with one or more principals to the transaction that the parties were not related, we may include such a sale as a supplemental comparable in an appraisal. If such a closed sale had not been publicly offered for sale, it would most likely be excluded so we could avoid even the appearance of impropriety. Even though no appraiser can guarantee that a comparable sale is absolutely an arm's length transaction and even though this firm does not accept liability for such matters of a legal nature, we can say that MLS offerings that have been on the market for a significant number of days and that have been reported as closed sales in the MLS are very reliable in our experience. For every comparable used in this appraisal, we have taken every precaution in the normal course of business to confirm that it was an arm's length transaction and that we have no reason to believe otherwise. Every sale in this appraisal was confirmed closed and if a different sales price was noted on tax records versus the MLS, the tax office recorded price was utilized. Tax records are properly scrutinized to compare buyer and seller surnames and if they are found to be similar, special efforts are made to confirm that they are not in the same immediate family. If the appraiser has any doubts, questionable sales will be excluded so as to protect the lender.

88. NOTICE TO ALL READERS OF THE APPRAISAL

The attached appraisal report was prepared using the best market data available in our professional appraisal opinion. USPAP requires appraisers to decline appraisal assignments whenever there is insufficient comparable market evidence with which to prepare a credible, defensible appraisal report. In this case, this appraisal report was completed because we felt that the comparable sales were adequate in terms of size similarity to the subject property, proximity, age similarity and reasonably recent sales date. Since the appraisal report has been completed, it must be understood and agreed that our appraisal fee for this assignment is non-refundable.

Even if ideal comparables were not available - such as those which closed within the last 60 days and within one mile of the subject property as some lenders now prefer - we completed the report using comparables from the subject neighborhood which closed within the last six months or so. We will always strive to use the most recent sales from within the subject development and from nearby, competing developments so that a correct, current valuation can be formulated. In markets with few sales and fairly stable values, we may decide to use sales that closed six to twelve months prior to the date of appraisal based on our judgment and experience. In some cases, time adjustments will be made to older sales to reflect market changes as needed. Non-fair market value sales will be excluded from our appraisal reports unless a neighborhood is dominated by such distress transactions. Appropriate explanation will be included when older sales must be used.

It should be noted that some residential developments are so large that comparables within the same subdivision can be three to four miles away from the subject property. From an appraisal standpoint, when typical buyers pay similar prices for homes within a specific subdivision, any comparables similar in size and age that closed recently within such a large development can be used in an appraisal - even if they are more than one or two miles away from the subject property. Since these sales are located within the subject development, they must be given primary weight in an appraisal. Proximity isn't everything and quite often homes two to three miles away, but within the same subdivision, are the best comparables overall. Underwriting

guidelines should be flexible enough to embrace these realities. We will avoid using comparables that require excessive adjustments even if they are close in proximity.

Since many neighborhoods have experienced very sluggish sales activity in recent months, ideal comparable sales may simply not be available. As scientific as the appraisal process has become in recent years, the artwork portion of appraising involves the selection of comparables from those sales which are available and then making needed adjustments for significant differences. We are happy to answer questions after the appraisal is complete. We are also happy to add pending sales or active listings which may be closer in proximity to the subject property - as long as they are not distress transactions. We do not hold back good sales for later inclusion in the report upon underwriter request. Our goal for every appraisal is to use the best market evidence available - period.

We render our own independent opinion of value based on all the facts at hand so that informed lending decisions can be made. The loan decision, loan amount and/or sales price are to be based on the appraised value of the property - not the other way around. Readers of this report need to defer to the appraiser's judgment, education and experience with regard to the selection of the best comparables that most accurately reflect the value of the subject property.

Appraisers are prohibited from accepting assignments where employment or compensation is contingent upon reaching a pre-determined value, the closing of a loan or any other contingency. Readers of appraisals need to understand that interfering with the appraisal process is a violation of federal and state law. Any pressure to render a falsely inflated value has been politely rebuffed. Of course, if anyone is disappointed with the value reported, we will be happy to consider all suggested comparable sales.

89. FHA APPRAISAL PROPERTIES WITH BOTH A WATER WELL AND A SEPTIC SYSTEM

Whenever a property has both a well and septic system, FHA has special concerns. First, they want to know if both systems comply with local health regulations. This is beyond the scope of the appraisal process and the appraiser accepts no liability whatsoever for such unapparent conditions. See assumption 5 on page 4 of the URAR. This appraisal requires professional inspections for such conditions and those inspections are to go to the FHA direct endorsement underwriter. If the well and/or septic system do not pass these inspections, the appraiser is to be notified so the appraised value can be reduced. The home will probably not qualify for FHA insurance in such cases unless professional repairs are made prior to closing.

Whenever a property has a well and septic system, it is a requirement of this appraisal that professional inspections be obtained and the valuation herein is contingent upon favorable inspections. In the past, FHA asked appraisers to estimate the distance from the subject septic system to the nearest sewer hook up and to estimate the cost to connect. Currently, FHA makes such determinations. FHA is also concerned that when a property has both a septic system and a water well that the well is at least fifty feet from the septic tank and at least 100 feet from the septic absorption fields. FHA is also concerned about the distance of the well to the property line. Obviously, FHA wants to avoid properties where well water is contaminated by human waste. This is such a critical situation that this appraisal requires a professional survey for any FHA appraisal property where there is both a water well and a septic system.

Also, this is a survey matter of a legal nature, is beyond the scope of the appraisal process and the appraiser accepts no liability whatsoever for such matters. The underwriter is to obtain a survey from an FHA approved surveyor who understands the need to identify the exact location of the well and its distance from the closest property line. The surveyor will also be instructed to identify the exact location of the septic tank and absorption field plus calculate the distance from the well to each septic system component. The FHA direct endorsement underwriter will make a decision, based on the survey, as to whether the subject property qualifies for FHA insurance. If the property does not meet FHA distance requirements, the underwriter will notify the appraiser so the value can be reduced. Value is contingent upon the septic system components satisfying all FHA requirements.

90. DESK TOP APPRAISALS & PHASED ASSIGNMENTS

If you are concerned about the value of a particular property in the future, you may want to ask us to provide a desktop appraisal before inspecting the borrower's home. There will be a modest fifty dollar fee for this service which we collect in advance. We will have to retain our report and work file for five years per USPAP, but if you desire a full appraisal later, that desktop appraisal fee will be credited toward the price of a full appraisal report. For desktop appraisals, we will ask you to accept an agreement where you acknowledge that preliminary reports stand on their own, independent of any requests to upgrade and that a desktop appraisal value range does not guarantee a future opinion of value if the client subsequently requests a full appraisal.

As with all phased assignments, a client can request that a property be fully inspected before ordering an appraisal. This inspection service is very helpful in cases where the condition or gross living area of a home is in question. We charge a one hundred dollar fee, in advance, for a property inspection service and information gathered at the property can also be used to augment a previously preformed desktop appraisal. The original range of value will be revised whenever warranted by factors gathered during the inspection. This additional fee will also be credited toward the price of a full appraisal report if ordered within thirty days.

When a client requests a "look up" or "comp check," we let them know that they need to go to our website and click on "order an appraisal" then select (under property type) Desk Top Appraisal. Even if a client asks for all the sales in a particular subdivision in the last six months and asks that we simply fax the raw MLS information - with no appraiser input - which is allowed by USPAP, we don't do it because so many clients ask for our interpretation of the raw data anyway.

Please be advised that we never offer clients "comp checks" or "Desk Top Appraisals" or any appraisal services where the offer is made under condition of "pre-determined opinions or conclusions." In fact, we ask our clients specifically not to put any language on any request pertaining to reaching for a value or number needed to make a loan or an indication that they will order an appraisal if value can be met or words to that effect.

Our clients are also advised that we cannot accept contingency assignments where compensation is linked to any factor whatsoever. We also advise our clients in writing within the body of the Desk Top Appraisal that such reports stand on their own and that there is no guarantee that a full appraisal report would indicate the same value or range of value. We make it a point to inform our clients that even providing a verbal range of value over the phone is an appraisal report and that such a "report" must comply with USPAP.

Since we never accept any contingency assignments and since our free Desk Top Appraisals stand on their own, no assignment or compensation for an assignment is contingent upon anything and there is no violation of USPAP. Our clients are under no obligation to order a full appraisal if our Desk Top Appraisal indicates a certain range of value. We make payment a non-issue as well. Our Desk Top Appraisal certification (on the front page, third full paragraph) specifically states that compensation is not contingent upon a subsequent event as required by USPAP. Our compensation is never made contingent upon the client's approval of our appraisal reports or the value opinion contained therein. Our clients are informed that we cannot accept assignments where employment to perform an appraisal or the compensation for such work is linked to a predetermined value, the closing of a loan or any other contingency.

91. COMPLETE VISUAL INSPECTIONS

USPAP does not require an appraiser to inspect any property. The URAR form calls for a complete visual inspection. During the second quarter of 2008, a technician will be able to broadcast a real time video inspection from a property to an appraiser at a different location. We will use an iVisit enabled PDA or other 3G phone with a camera and high speed internet access. The appraiser and the technician can inspect and measure a home together. The appraiser can draw the floor plan using sketch software while observing each field measurement on a desktop computer. The appraiser will be able to see and hear what the technician observes real time, suggest inspection activities and record the audio & video as well. This will allow the appraiser to personally orchestrate a complete visual inspection of the interior and exterior areas of the subject property where the technician's on-site equipment virtually brings an appraiser to the property. The same holds true for exterior views of the comparable sales and real time video tours of the subject neighborhood. The appraiser will be able to confirm that the technician is at the correct property viewing live GPS on Google maps. The appraiser will be able to capture high resolution interior and exterior photos by remotely controlling the technician's still camera functions and input the photos directly into the appraisal report. Soon, our appraisal software will include MLS integration which will allow the appraiser to input comparable sales & photos into the appraisal grid & photo pages directly from the MLS simply by typing the proper MLS number for each comparable. Clients who request Desk Top Appraisals could also ask for enhanced reports where the appraiser conducts remote virtual inspections or views virtual tours of the subject & comparables when available on the MLS or on a Realtor's website. This is notice to readers of this appraisal that this appraisal inspection may have been conducted remotely by the appraiser with a technician on site or by the appraiser at the property in person. For every appraisal other than Desk Top Appraisals and Exterior only "drive by" appraisals, our firm will perform a complete visual inspection of the interior and exterior areas of the subject property. Desk Top Appraisals do not include an inspection of the property. Drive by appraisals only include an exterior inspection from the street. Technological advances will allow appraisals to be completed in less time while minimizing the need for appraisal fee increases.

However, such advances will only be employed as long as the quality of information gathered is sufficient to help the appraiser fully understand the appraisal property and prepare a credible, defensible appraisal.

92. REQUIRED PROPERTY INSPECTIONS

Since appraised value is dependent on property condition, many inspections are required to protect the client even when the appraisal is performed on an apparent "as is" physical condition basis. It is also specifically understood and agreed that any discovery of organic growths, black mold, septic system problems or any other unapparent condition or latent defect that might adversely affect the opinion of value as of the effective date of appraisal renders the appraisal voidable at the option of the appraiser and the opinion of value is subject to substantial reduction in dollar amount. It is also understood and agreed that use of this opinion of value includes the end user's agreement to hold the appraiser blameless for any unapparent condition on the property.

Information reported in this appraisal about the condition of the property is based on a typical appraiser's visual inspection and what was disclosed to the appraiser or what the appraiser suspected or was aware of. This appraiser's inspection is understood and agreed to be different from a licensed home inspection. Client agrees to obtain a home inspection and to examine a seller's property disclosure. Client agrees to inform the appraiser regarding physical deficiencies or adverse conditions that might affect the livability, soundness or structural integrity of the property. Client understands and agrees that liability for unapparent conditions is beyond the scope of the appraisal process and this agreement. Client agrees to hold the appraiser blameless and harmless for any conditions that may be uncovered by others.

Throughout the report, there are several areas where the client agrees to inform the appraiser of specific conditions known or discovered as a result of other inspections.

Acceptance of this report constitutes full agreement with all provisions of this appraisal use license agreement and with all contractual notices throughout the report. It is specifically understood and agreed that this contract requires the client to provide the appraiser a professional home inspection, insect inspection, foundation inspection, elevation survey and an environmental inspection. No evidence of hazardous materials were noted during the visual inspection. However, past uses or uses by adjoining property owners could have or have had a residual effect on the subject property. Current legislation on lender liability disallows an "innocent landowner defense" if an environmental study has not been performed.

93. URBAN, SUBURBAN & RURAL VERSUS DISTANCE TO COMPARABLES

The subject property may be in an urban area but the best comparables may be several miles away. Also, the subject may be in a rural area and the best comparables may be found two blocks away. Notwithstanding some underwriter preferences, there is no correlation between location type and proximity to the best comparables. If a property is situated within the municipal boundaries of the largest city in a metropolitan area, that property is designated as being in an urban area. Communities outside this primary urban center are usually labeled as suburban. Properties outside the suburban area are usually labeled rural.

The client agrees to rely on the appraiser's judgment and experience when it comes to identifying an area as urban, suburban or rural. The distance to the most helpful comparables is not related to location status but is merely a physical fact. Proximity is not always the best measure of how comparable a property is to the subject property. The client agrees to rely on the appraiser's judgment and experience when it comes to the selection of the most appropriate comparables regardless of where they are located in relation to the subject.

Naturally, location is a very important factor in real estate. However, proximity isn't everything. This is particularly true when sales in certain stable areas are limited. As long as the appraiser feels that there are reasonable comparables within the subject neighborhood, as the appraiser defines that neighborhood, an appraisal can be completed. Otherwise, the assignment will be declined as required by USPAP.

94. CLIENT ADVISORY - DISCOUNTING APPRAISED VALUE RENDERS THIS APPRAISAL NULL AND VOID

The client is hereby advised that the opinion of value contained in this appraisal report is the appraiser(s) professional opinion of value rendered in conformity with professional appraisal standards. No one is authorized to reduce, discount or "cut" the amount of the appraised value for any reason whatsoever. The reader of this report should be advised that some lenders engage in the illegal practice of lowering the appraised value for loan purposes and telling borrowers that the loan will be based on a lower appraised value. The lender then sends the original higher appraisal report to the investor making the smaller loan appear to be less risky because of a lower LTV or loan to value ratio. These lower LTV loans appear less risky to investors so they tend to pay lenders higher profits for such loans.

Some lenders "cut" the value on every appraisal because of the higher profits on such lower LTV loans. This fraudulent bait and switch tactic will not be tolerated by this appraisal firm. Any attempt by anyone to play this "cut the value" game with any appraisal prepared by this firm will result in this appraisal report being null and void. We urge our clients to avoid such lenders that engage in such fraudulent misrepresentation.

95. TOWNHOUSES VERSUS CONDOMINIUMS

Now that FHA, FNMA and FHLMC have embraced new appraisal forms for condominium units, appraisers must be careful when appraising townhouses on the URAR appraisal report form. The distinction between condos and townhouses is often blurred. Tax records often improperly provide lot and block legal descriptions and lot sizes for condo units when unit and building numbers should be displayed instead.

Tax records also often refer to townhouses, which do own the land beneath them, as condos in their state and county land use codes. Sometimes, tax records label townhouses as single family residences. Many townhouse developments have the word "Condos" in their legal descriptions but this doesn't necessarily make the units condos. Many condo developments include the word "Townhouse" in their legal descriptions. Some townhouse and single family developments have common area amenities owned in condominium. Condos are apartment style buildings. Townhouse units are usually built as attached row houses.

MLS records often categorize a condo unit as a townhouse under property type and housing type. The opposite is also true in many cases. Often, MLS records will refer to properties in the same complex as both condos and townhouses. City zoning is just as confusing. Some townhouse developments are zoned multi-family just like apartments and some condominium complexes enjoy townhouse zoning indications.

Legally, condo units only own the space between the interior walls of the structure and a percentage of the common area amenities. Individual condo units do not own the land beneath them. The entire condo complex sits on one lot with no individually platted sites. County plat maps show a condo complex on one large lot with building numbers displayed in the proper places. Townhouses own the land under the structure and part of the common area amenities, if any. Since townhouses own the site underneath the structure, tax office plat maps correctly display individually platted lots.

Whenever the county plat maps display individual sites, our firm will rely on this information and prepare the appraisal report on the URAR report form and we will consider the residence to be a townhouse - since condos never have individually platted and owned lots. Our firm will take this position even if the word "Condos" appears in the legal description and even if the

common area amenities are owned "in condominium" as evidenced by recorded documents. When tax records indicate an individual residence sits on its own separately platted site, it is a townhouse for appraisal purposes even if title insurance documents consider it a condo.

If the client provides the appraiser with a survey that contradicts county plat maps, the appraisal will be converted to a condo appraisal on the 1073 Condo appraisal report form. Without a survey, the appraiser will rely on the next best evidence which is the official county plat maps. The appraiser's client agrees to provide a survey to the appraiser whenever there is a difference of opinion. Whenever an "apparent townhouse" turns out to be a condo unit and the appraisal is typed on the 1073 Condo form, the comparable sales in the report may not change.

When an obvious condo is appraised, apartment style condo units will be utilized as comps. The condominium type of ownership is best suited for apartment style units where multiple apartments are stacked and ownership of the lot underneath could not easily be determined. When a structure is appraised that physically appears to be a townhouse, similar appearing townhouse units will be used as comps. As often as possible, sales and listings from the subject development will be used so that they will be the same physical and legal home type as the subject. Also, comps of similar appearance from nearby competing developments will also be considered. The client agrees to rely on the appraiser's judgment and experience when it comes to the selection of comparables.

96. OPTIONAL COST APPROACH - ADDITIONAL FEE APPLIES

Fannie Mae does not require the cost approach and this is noted on the URAR form. FHA only requires the cost approach for homes one year old or less. Per HUD manual 4150.2, "Unless the cost approach is deemed reliable or considered applicable, in the appraiser's judgment, developing this approach is not required for a HUD/FHA appraisal." This firm will include the cost approach, on the URAR form, in all conventional appraisals of new homes, proposed construction and homes under construction.

We will also provide the required full page cost analysis for FHA appraisals where the home is one year old or less. Only in these cases is the cost approach felt to be applicable. For homes over one year old, the appraiser's peers don't provide the cost approach. In such cases, exclusion of the cost approach is proper under USPAP since it is not necessary for the creation of a credible appraisal. When a client requests the cost approach, even though not required or applicable in the appraiser's judgment, our firm will provide the Marshall & Swift full page cost analysis, as an optional extra, for an additional fee of one hundred dollars, payable in advance.

The client agrees to this prepaid service fee since this additional work is optional and the Marshall & Swift cost data requires a substantial ongoing investment by the appraiser. The only cost approach FHA accepts is the full page cost analysis. When a client indicates to the appraiser that a lender or investor wants the cost approach, even though FNMA or FHA doesn't require it, the client agrees to arrange advance payment before contacting the appraiser. It is also agreed that none of the appraisal cost approach can be utilized for estimating the replacement cost of the subject property for insurance purposes. See multiple use addendum item #18.

97. HOW ADJUSTMENTS ARE MADE TO COMPARABLE SALES

Every effort is made to find numerous recently closed comparable sales that are close in proximity to the subject property. The best sales are always selected, based on the appraiser's judgment and experience, that are similar in living area, features and amenities. If ideal retail sales are not plentiful within the subject subdivision, nearby competing developments will be considered.

Whenever there are significant differences between the subject property and the comparable sales, adjustments must be made. These differences are identified by way of our interviews with the listing agents, our evaluation of MLS photos of the comparables (especially interior photos depicting recent updating) and information provided on MLS reports. The comparables are always adjusted to the subject property but are not adjusted to the subject financing situation.

The amount of the adjustment made to each comparable is not pulled out of thin air. Each adjustment is based on the contributory value of the noted significant difference - not cost. Seasonal adjustments will be made to major outdoor features such as pools. For example, when the subject does not have a pool and a comp had a pool and sold in the summer, the pool adjustment will often be larger than if it was a winter sale. Comparable sales will be matched one against another in "paired sales" analysis where there is one major difference between the two selected comparables. The difference in sales price can be attributed to this difference and that dollar amount will be utilized as the adjustment made to all comparables as needed.

When slight differences in site size or effective age are noted, adjustments may not be necessary. Differences in updating and condition often have a large impact on prices paid and can be easily discerned from the comparable sales data. Adjustments will be made to the comparables for all significant differences between them and the subject property. This adjustment process is designed to identify what the comparable would have sold for if it had all the attributes of the subject property. Often, living area and pool adjustments are left to the end of the process and several adjustment levels are considered for each factor. The final adjustment scenario is the one that results in the narrowest range of adjusted value indications from several comparable sales. A tight range of value from several comparable sales is similar to a tight grouping of shots on a pistol target. A narrow range of adjusted values or a tight grouping means that the opinion of value is credible and defensible. In most cases, roughly equal weight will be afforded all adjusted value indications with most weight placed on the adjusted sales price of the comparable sale that is most similar to the subject - usually the sale with the fewest adjustments.

98. COMPARABLE SALES THAT "BRACKET" THE SUBJECT PROPERTY

Though not mentioned in USPAP, bracketing is addressed on pages 418, 435 and 436 in the 11th edition of 'The Appraisal of Real Estate' textbook from The Appraisal Institute. The cited text also recognizes that it is not always possible to adequately bracket the subject in every case. Sometimes the data available is just not sufficient.

Bracketing of sales gives a higher confidence level for the value reported when it can be accomplished. The reason for this is that "across the board" adjustments can be avoided. If all three sales are larger in size than the subject, modest downward adjustments to each sale could result in an inflated value opinion. If all three sales are smaller in size than the subject, modest upward adjustments to each sale could result in an inappropriately low value estimate.

Bracketing works quite simply. The process suggests that if the subject property has 2000 square feet, one of the comparables should have 1600 to 1900 square feet, one of the sales should have nearly 2000 square feet like the subject with no GLA adjustment needed and one of the sales should have 2100 to 2400 square feet. Sales should range from the subject's square footage plus or minus fifteen to twenty percent so that the home sizes are comparable to that of the subject appraisal property. Since there is often a correlation between home size and sales price, sales prices of the comps used should also tend to bracket the opinion of value for the subject property and its sales price if applicable.

The goal for any appraiser is to utilize the best comparables and make market oriented adjustments for significant differences between the comparable sales and the appraisal property. Sales can be selected that bracket the subject in terms of price, GLA or major features. If the subject has an atypical attribute like a three car garage in a two car garage development, it may be necessary to find a sale with a three or four car garage so the comps will bracket what the subject provides. If one of the comparable sales matches the subject property and the other two are different in the same direction, bracketing has still been accomplished.

When bracketing is used properly, the result is a tight range of adjusted sales prices and value indications from the comparable sales. The tighter the value range, the more credible and defensible the opinion of value assuming that the sales used are truly interchangeable with and thus comparable to the subject property. In every appraisal performed by this firm, we will strive to find truly comparable sales that also allow bracketing of the subject property. If the sales do not bracket the value conclusion, supporting explanation will be provided. When reasonable sales are not available that allow bracketing, adjustments will be applied across the board based on the appraiser's judgment and experience. Bracketing is not required by USPAP or underwriting guidelines but is a useful technique. Since bracketing is not required, an additional fee may apply for this optional service because of the extra work involved. In such cases, the client agrees to allow sales up to one year old, sales further distant and sales more different in size which would require larger adjustments than normally preferred.

99. APPRAISER'S CERTIFICATION NUMBER SEVENTEEN AND USPAP

URAR certification #17 calls for the appraiser to certify and agree that he or she has no present or prospective interest in the property that is the subject of this report and that he or she has no present or prospective personal interest or bias with respect to the participants in the transaction. According to a certified USPAP instructor, USPAP indicates that there can be an interest in the property and/or a personal interest or bias with respect to the participants as long as such factors are properly disclosed and as long as the bias would not prevent the appraiser from rendering an independent, objective and impartial opinion of value.

The appraiser's peers suggest that as long as the appraiser receives no compensation, other than the appraisal fee, there is no financial interest in the property. It is this appraiser's understanding that an appraisal can be performed where one of the participants to the transaction is known to the appraiser in a business capacity but where there is no personal relationship.

In an attempt to satisfy both the URAR and USPAP, all appraisal clients are hereby notified that this appraiser routinely appraises properties where one or more of the participants to the transaction may be known to the appraiser in a business capacity such as an independent contractor or customer. This may also include business situations where the appraiser is a vendor to or customer of one of the participants to a transaction.

This may also include business associates, other appraisers in the firm or with other firms, appraiser trainees supervised by the appraiser, lenders, landlords, property managers and Realtors - as long as there is no personal relationship outside of the business environment.

This appraiser does not perform appraisals where the appraiser has a personal or employment relationship with one of the parties or where the appraiser has an ownership interest in the property being appraised. An independent contractor relationship is not considered to be an employment relationship. Also, this appraiser will not appraise a property where the appraiser would receive more than the appraisal fee as compensation.

It is this appraiser's intention to avoid impropriety or conflict of interest and to disclose to the client that the appraiser routinely appraises properties where parties to the transaction may be known to the appraiser and may have a business relationship of some sort. However, the appraiser will decline an assignment where there is more than a cordial business relationship and where the nature of the relationship might prevent the appraiser from rendering an independent, objective and impartial opinion of value.

100. APPRAISER IS NOT OBLIGATED TO PROVIDE ADDITIONAL SERVICES

When a client of this appraisal firm requests additional services, every effort will be made to assist our valued client. However, this firm reserves the right to refuse service to anyone. By preparing an appraisal, this firm does not become obligated to provide additional services to non-clients. In particular, this firm is not obligated to transfer an appraisal report to a new lender when a borrower terminates their relationship with the original lender - the appraiser's client. Per USPAP, a transfer is a new appraisal assignment and an appraiser can decline any new assignment for any reason. No matter who paid for the original appraisal, the original lender is the appraiser's confidential appraisal client.

Just because a borrower paid for an appraisal doesn't mean that the appraiser must accept renewed liability and prepare an updated appraisal for a different lender. The borrower is never an appraiser's client. An appraisal report is never owned by anyone other than the appraiser. This firm only licenses the use of its intellectual property. This firm charges a substantial fee when a new lender requests an update of an appraisal report originally prepared for a different lender. This is true even if the original report was prepared a week earlier. The substantial fee covers the time needed to modify the report, possible underwriter followup work and appraiser liability for the new report. Please read addendum items 36 and 37 in this report. No government agency can compel an appraiser to provide services - particularly without compensation. If we provided an FHA appraisal to our original client and we decline to update that report for a new lender who refuses to pay for our services, FHA will allow the case number to be transferred to a new appraiser.

101. PRICE RANGE OF CURRENT OFFERINGS AND NEIGHBORHOOD COMPARABLE SALES

For most reports, appraisers are now asked to note current comparable offerings and comparable sales within the last year. Only neighborhood properties that are reasonably comparable in size, age, functional utility and features are listed. Distress transactions are not typically included. The number of comparable properties and price ranges are displayed. Then, the most comparable properties from this group are included in the grid as required by the appraiser's certification #7. Comparing the number of listings to the number of sales reveals the monthly absorption rate as well as the supply & demand relationship for this type of property. Offerings represent the upper end of the price range. If the appraisal grids in the report display fewer sales than noted, it should be understood that many sales in the last year may not be recently closed or close enough in terms of proximity. If the client requests additional sales to be displayed in a grid, the client needs to indicate to the appraiser how different in size (e.g. +/- 20%, 30% or 40% of subject GLA) the sale can be, how far back in time the appraiser can search and how far away from the subject property the sales can be situated.

102. APPARENT "AS IS" PHYSICAL CONDITION

Most appraisals prepared by this firm, including FHA appraisals, are based on what we call apparent "as is" physical condition and the "as is" box will be marked with an "X" even though the opinion of value is actually subject to and contingent upon all the appraiser's certifications, limiting conditions, customary inspections, no hidden damage, various addenda and the appraisal use agreement as noted in the reconciliation section of the appraisal. Only appraisals involving homes under construction, proposed construction, homes in need of repairs or those where inspections are required will have the "subject to" box marked and applicable hypothetical conditions & extraordinary assumptions will be noted.

The reason we now quote apparent "as is" physical condition relates to the fact that most components of a home cannot be easily observed. For example, a home that appears to have a brick veneer exterior may actually have concrete blocks that resemble real brick. The appraiser is not responsible for unapparent conditions, hidden construction components, hidden insect damage, fake components or artful concealment of problems. See addendum items 19 and 20 for additional appraisal limiting conditions. This appraiser assumes no responsibility whatsoever for adequacy of utilities even when a representative sample of same is checked for FHA appraisals.

As noted in the appraiser's terms of use and appraisal use license agreement, information utilized in the report is reliable for the most part as it appears. If any information is later found to be erroneous, the appraisal is null and void. In order to render opinions of value that are as credible as possible, a detailed visual inspection of the subject will be made. Also, MLS interior and exterior photos of the comparables will be scrutinized which are more helpful than a minimal view from the street.

103. DECLINING MARKETS, CHANGE IN NATIONAL ECONOMY AND CHANGE IN VALUE OF THE DOLLAR

It is assumed that the economy of the nation and the community in which the property is located will remain at approximate current levels. If economic conditions change, including availability of credit, property values may change quickly. This is particularly true when jumbo loans are difficult to obtain. Reduced availability of credit will adversely impact "effective" demand, purchasing power and thus prices buyers can pay for homes.

The appraiser is not responsible for changing economic conditions including changes in the value of the U.S. dollar. Lenders may have to foreclose on homes which may have lower future values and may have to sell such homes for lower value dollars.

Appraised values are valid as of the date of appraisal. If property values had been declining in the subject neighborhood prior to the date of appraisal, the appraisal report will note such a trend and will comment on its impact on subject marketability and property value. If property values had been stable prior to the date of appraisal, that fact will be noted as well. However, prior stability of property values contains no assurance of future market stability.

The client agrees to rely on the appraiser's judgment and experience when it comes to identifying whether the subject neighborhood has recently experienced property value stability or a decline in property values. If needed, the client can request, at additional cost, CMA's which will verify year to year property value declines or stability. In any event, the lender agrees to base the loan amount or selling price on the appraised value - not the other way around.

104. NOTICE TO CLIENTS REGARDING BILLING FOR APPRAISAL SERVICES

Most lenders prefer for appraisers to wait until closing in order to get paid. Some lenders improperly feel that linking payment to the closing will influence the appraiser to reach for a value so that closing can take place. However, USPAP prohibits appraisers from accepting assignments where compensation is linked to the closing of a loan or any other subsequent event or contingency. This situation often causes friction and can be avoided. Many lenders collect payment for the appraisal up front from the borrower and then improperly co-mingle such funds in their company operating account. Even when lenders agree in writing to pay for appraisals within 30 days, regardless of closing status, payment is usually not received until after a closing takes place. When our firm reminds clients of their agreement to pay within 30 days, we are usually told that closing has not happened yet and we must wait. This "business as usual approach" results in a breach of contract for the lender and a violation of USPAP for the appraiser. When it comes to billing for our services, we have found that reminding clients to pay regardless of closing status, as agreed, simply ruins relationships. Appraisers waste time trying to collect unpaid invoices. Lenders are often frustrated when asked to pay when a loan hasn't closed. The solution is for the appraiser to collect up front. If the lender wants an invoice to be rolled into closing, we will collect up front, provide an invoice and if a check is received from the title company, the appraiser will reimburse the party who paid in advance. This includes situations where clients ask the appraiser to provide a rebuttal to a review appraisal.

105. ZONING COMPLIANCE REPORT, REBUILDING FOR GRANDFATHERED USES & BUILDING PERMITS

Every appraisal prepared by this firm calls for the client to obtain a zoning compliance report from the city. Our firm will check tax records and zoning maps when available to determine what appears to be the appropriate zoning indication for the subject property. The client agrees to inform the appraiser if there is a discrepancy between the appraisal report and the zoning compliance report as Highest and Best Use may be affected.

When a property is a "grandfathered" legal non-conforming use under current zoning, the client agrees to obtain a letter from the city indicating whether the property can be rebuilt in the event of damage greater than fifty percent or whether any new building would have to conform to current zoning regulations. It is also agreed that the most the appraiser will do is phone the city zoning department to confirm these details for the appraisal report and that the appraiser will consider this information to be reliable but not guaranteed. It is agreed that it is beyond the scope of the appraisal process for the appraiser to obtain written confirmation unless an additional fee is paid to the appraiser to visit the city office.

When any property has additions or new structures, the appraiser assumes that proper permits were obtained for such structures and that all improvements were constructed in a workmanlike manner. The client agrees to obtain copies of all such permits as needed and that the appraiser will not take time to secure same without additional compensation. The client agrees to inform the appraiser if any structures were built without proper permits so that the valuation can be altered.

When older properties were built outside city limits and were annexed at a later date, it should be noted that there was no zoning in place when the older property was constructed and building permits may not have been required by state or county regulations. Many "grandfathered" uses have no building permits and the lender will have to make a loan decision with this fact in mind. See addendum item #92 for property inspections required by this appraisal.

106. GRANITE COUNTERTOPS

Rice University physics professor W.J. Llope, the article's title, "Countertops: The Hottest Rocks," carried an unsettling irony. Some granite countertops, he says, contain high levels of uranium, which, by generating gamma radiation and radon gas, can endanger human health. Using a Rice University spectrometer, Llope has examined 55 stones, representing about 25 varieties of granite purchased from Houston-area dealers. Some, he said, could expose homeowners to 100 millirems of radiation — the annual exposure limit set by the Department of Energy for visitors to nuclear labs - in just a few months. When an appraisal prepared by this firm notes granite countertops, the client is advised to obtain an inspection. The appraiser takes absolutely no responsibility for any adversity associated with this possible hazard. See environmental addendum for Radon.

107. CUSTOM BUILD JOBS, NON-DISCLOSED MLS "Z" SALES & OWNER FINANCED SALES

Some appraisers approach new home builders in their effort to find new home closed sales since most new home builders do not report their sales to the MLS or utilize MLS Realtors to sell their homes. Most builder sales are non-arm's length transactions because they are custom build jobs on sites already owned by the home buyer - also known as "assemblage" sales. Appraisers must certify that they have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.

Only when a builder has sold both the land & the completed home to a buyer in a single conveyance will this firm consider using such a sale in an appraisal. The sale must have been noted as closed in tax records and we must receive a copy of the title

company HUD 1 settlement statement for our work file. Even when a builder has sold a home & land package to a buyer, it may involve so much customization that the transaction is no longer "arm's length." These sales will not be used for that reason and the client agrees to defer to the appraiser's judgment in this regard.

More and more MLS sales have a selling price that is not disclosed by agreement between seller and buyer. The MLS price is merely a repeat of the listing price with the letter "z" following it. The letter "z" stands for "zero" which means the actual sales price is, for reporting purposes, zero dollars. Many appraisers ignore the "z" and improperly use such non-disclosed sales as comparable sales and report the list price as the sales price - which is false and misleading. When tax records do not disclose a sales price or if tax records erroneously report an MLS "z" list price as a selling price, the transaction cannot be utilized as a comparable sale because the real selling price is not publicly verifiable.

Some MLS sales involve owner financing. Most of these sales, where the seller carries the first mortgage, have inflated sales prices, limited down payments or unusual mortgage interest rates. Even when closed in the MLS, most such owner financed transactions are not "arm's length" because the seller provided financing where the buyer could not qualify for normal financing. Only when the sales price is not above asking price, when a substantial down payment is made and interest rates are non-concessionary will this firm use an owner financed sale as a comparable. Even though Realtors have a fiduciary obligation to the seller to secure the "highest possible" selling price at the top end of the value range, appraisers must estimate the "most probable" selling price near the middle of the value range. This firm will continue to encourage Realtors to price properties at appraisal price levels since over-priced properties can't be financed.

108. SITE SIZES FOR SUBJECT AND COMPS - EFFECTIVE SITE AREA

Plats or surveys for the subject may not always be available to the appraiser. This is why a survey is called for in all cases. Site sizes are not always available in the MLS or tax records for the subject and comparables - so this information may simply not be available when requested by the underwriter. Lenders should also note that for single family residential appraisals, slight differences in site area may not equate to a significant value difference worthy of an adjustment.

When we examine the subject site in terms of its effective site area and functional utility for a single family use and then compare that to the effective site areas for the comps, we may not feel that an adjustment is warranted. A larger site may represent "excess" land within a single family context and we may decline to make an adjustment so that our final value is prudent and conservative so as to protect the lender or investor. If overall lot sizes are similar, in our opinion, actual sizes will not be reported in the appraisal grid and the lender agrees to defer to the appraiser's judgment & experience in this regard.

Rather than increase our standard appraisal fee for all clients, if particular clients want extra information not normally included in our fee, we will charge only those clients who need extra information.

109. LEVELS OF CONCERN WITH REGARD TO SETTLEMENT NOTED IN AN APPRAISAL

The highest level of concern our firm has with regard to settlement noted at a property is to REQUIRE a structural engineer's certification of foundation integrity or repair to satisfy the structural engineer. When apparent damage is so substantial, the appraisal valuation will be made "subject to" such repair or structural certification. A final inspection will be required.

The second level of concern our firm has with regard to apparent foundation settlement is to recommend a foundation inspection due to noted settlement. The appraisal valuation is made "as is" and the inspection is a strong recommendation but not a requirement. If an inspection is performed and problems are uncovered, the client agrees to inform the appraiser so the valuation can be revised downward. Many underwriters will look at this recommendation by the appraiser and require a structural engineer's inspection or a foundation repair company's inspection.

The lowest level of concern our firm has with regard to settlement exists when there are a few cracks noted on exterior brick surfaces or interior walls. A deduction is not made because this appears typical for the area. We do not believe it is necessary to have a qualified structural engineer certify the foundation - but an inspection is suggested. This suggestion is not a recommendation or requirement. Lenders are not authorized to convert this suggestion into an appraiser's requirement for an inspection. This level of concern is very low and the valuation will also be made on an "as is" basis.

110. SUBJECT PROPERTY LISTING HISTORY - ANALYSIS, RECONCILIATION & CONCLUSION

On or before the appraisal date, we will perform an MLS archive search for the subject property and we will include a printout of the archive search results in the report. If there are no archive results available, then obviously none will be attached to the report. The client is advised that the MLS listing history of the subject, if any, was fully analyzed and evaluated as part of the appraisal process. The client is advised that multiple use addendum items #13 and #52 have also been factored into our analysis.

Foreclosure resale asking prices may not reflect retail fair market value as defined. List price may not reflect fair market value especially when "no frills" new homes are later customized at a buyer's request. Asking prices or contract prices may not reflect the upper limit of value in all cases. Improperly priced properties often sell for more than prior list prices when they are properly priced at a later date. The attached MLS archive should be understood to represent a complete disclosure of the subject property listing history as required by USPAP. Lack of listing history will also be reported.

The subject listing history was considered when the comparables were selected and was reconciled into the formulation of the final opinion of value. The conclusion of the analysis of the subject property listing history is that the subject days on market and asking prices were considered, analyzed, disclosed, reconciled and given appropriate weight in the selection of the comparable sales and the final opinion of value. The client is once again advised that prior asking prices may not reflect retail fair market value as defined. Lenders and builders often advertise properties at below market prices so most weight will be placed on the best, recently closed comparable sales.

Recent listing history of the subject may not properly reflect its most probable selling price assuming the price is not affected by undue stimulus, the buyer and seller are typically motivated and price represents normal consideration for the property. The client agrees to defer to the appraiser's judgment and experience when it comes to the evaluation of the subject listing history and whether such listing prices were affected by undue stimulus or atypical motivation.

If the client fails to adhere to the attached definition of fair market value, improperly considers information that only became available after the original appraisal date, attempts to orchestrate the appraisal process or discounts the value while claiming that asking price is automatically the upper limit of value, then that client's license to utilize our intellectual property is hereby revoked.

111. ADJUSTMENTS FOR "SALE OR FINANCING CONCESSIONS"

The first possible adjustment in the appraisal grid, in the sequence of adjustments, is for sale or financing concessions. This adjustment line has no description in the subject property column since comparable sales are not to be adjusted to subject property financing. Comparable sales are almost always adjusted to subject property attributes. The one exception is that the financing for each comparable sale is to be adjusted to the market - not to subject property financing. Adjustments for concessions must reflect the difference between the actual selling price of the comparable sale and what that property would have sold for without concessions.

In other words, the appraiser will make an adjustment equal to any increase in the purchase price of the comparable sale that the appraiser determines to be attributable to concessionary financing.

Many sales involve some typical financial assistance to be paid on behalf of the borrower by some party. Typical seller contributions to the borrower's financing are not considered concessionary since they usually do not result in a contract purchase price that is higher than the offering price. Also, sales with typical financing will not be reduced to cash equivalency just as a cash sale will not be adjusted upward to reflect typical financing conditions.

FHA feels that any contribution above six percent is not typical and is thus concessionary on the part of the seller - especially if the sales price exceeds the asking price. This appraisal firm embraces this FHA approach and will make adjustments to comparable sales accordingly. For example, if a sale includes a seven percent seller contribution, a one percent downward adjustment will be made to reflect the concessionary component above the six percent threshold. However, positive adjustments will not be made to sales which did not have any typical contribution or when real estate sales fees paid to Realtors are below traditional levels. When an adjustment is made to a comparable sale, the dollar amount of the adjustment will approximate the reaction of the market to the concession or to the inclusion of non-realty items in the transaction. See addendum item #16 also.

112. COMPANY POLICY WITH REGARD TO REVIEW APPRAISALS

We understand that almost every appraisal will be reviewed by a lender's underwriter or quality control department. We are always happy to respond to an underwriter's legitimate questions and requests. Since we feel our appraisal is based on the best sales available, we may charge an additional fee if excessive comparables are requested. We are also pleased to provide a professional rebuttal to a proper review appraisal of our work.

A proper review is one that is performed by a licensed or certified appraiser in our state where the appraiser also has the required experience and geographic competency to do a proper job. A proper review is also one where the review appraiser adheres to Standard 3 of USPAP which covers Review Appraisal procedures. The review appraiser cannot report or consider any information that was unavailable to the original appraiser - period. If the reviewer violates USPAP by considering information that came to light AFTER the date of appraisal, we will not respond to the review other than to notify the client that the reviewer has violated USPAP.

If the reviewer is not a licensed appraiser in our state, the client is advised in advance that we will not be at liberty to respond to the review. By law, anyone who performs real estate appraisals, including review appraisals, must be licensed in the state where the property is located.

So, if the reviewer is a licensed appraiser in another state, we will not be at liberty to respond to the review because the reviewer has violated our state laws. To make sure we all obey the law, we request that the client provide us with a copy of the signed review, the reviewer's state license and an advance payment of \$200.00 when requesting a rebuttal to a review appraisal. Rebuttals require as many as 8 to 16 hours to complete and we must charge for our time so that we can defend our work with appropriate detail. Rather than raise our fees for all appraisals, we will only ask for more money when certain clients request additional work in the form of a review appraisal rebuttal or excess comparables.

If the lender cannot or will not provide evidence of licensure, we will not be at liberty to respond to the review per state board of appraisal rules and all we can suggest is that you place your loan elsewhere. It's not that we are unwilling to defend our work, it's that we cannot respond, by law, to unlicensed reviews. Unqualified or unlicensed persons are not legally entitled to render an opinion of value. The appraisal represents an opinion of value and we do not guarantee that every lender, underwriter or reviewer will agree with this opinion. Also, any otherwise qualified real estate appraiser who concurs with an improper review violates USPAP on their own accord and our firm will take appropriate action.

Some lenders are asking reviewers to "discount" the value on every appraisal and we discourage such games. See our multiple use addendum #94 for further explanation of this recent trend. Some lenders employ unlicensed persons, often working out of state, to review our appraisal work and our firm does not condone such unprofessional activity. Other lenders hire recently licensed appraisers, who were trainees last year, to review complex appraisal reports. The lender would not accept a complex appraisal report from a recently licensed appraiser so they should not allow such persons to review complex appraisal reports - even if they were the low bidder for the job. Our firm strongly encourages our clients to confirm that all reviews are performed by professionals with subject matter and geographic competency given the location and complexity of the assignment - as required by USPAP.

Reviewers with inadequate experience often mis-read our reports. They often rely on foreclosure sales to "low ball" the value and critique our professional opinions of value in an improper manner - often to justify their own employment.

The definition of fair market value requires all appraisers, including reviewers, to identify the most probable selling price of a home assuming that the price is not affected by "undue stimulus," that the buyer and seller are "typically motivated" and the sales price accurately reflects "normal consideration" for the property. A completed, brand new home will rarely have a foreclosure value. Also, a below market asking price doesn't necessarily reflect the retail fair market value of a property. Short sales are often listed and sold well below market value even when in move in condition. We understand that reviewers who try to estimate value from behind a desk or from the street in front of a home are at a disadvantage since they don't perform a full inspection of the property inside and out. Lenders and reviewers need to defer to the original appraiser with regard to interior finish extras and upgrades.

The only time foreclosure sales or short sales will be used is when a neighborhood market is "driven" by such distress transactions. Inexperienced reviewers are not in a position to make a proper determination as to when it's appropriate to use distress sales. It is our company's position that at least forty percent of MLS sales and listings must be foreclosures or short sales before we feel they actually "drive" a market and need to be included in our appraisals. If an underwriter tries to unlawfully orchestrate the appraisal process by rendering an opinion of value based on an AVM or by demanding that we grid up lower priced distress sales because they are closer in proximity, we will not grid up such distress sales, provide MLS listings proving distress/inferior condition or explain why we did not include them in our original report. Instructing an appraiser to modify an appraisal or change what's in the appraiser's grid of comparables constitutes the attainment of a stipulated result. USPAP prohibits appraisers from accepting an assignment that is contingent upon the attainment of a stipulated result. We will render an independent, professional opinion of value under all market conditions. Then, the loan amount or sales price can be based on the appraised value - not the other way around.

With regard to appraising brand new homes, there are several special review appraisal issues. The client is advised that 75% of new home sales are not reported the MLS so appraisers may not have a complete market view. As such, MLS foreclosures and short sales really only represent a much smaller percentage of all sales activity in a new home neighborhood. Also, builders routinely advertise a "no frills" home under construction in the MLS, at a low price, in order to attract as many buyers as possible. Later, when a buyer is found, that same home will be enhanced and upgraded for the buyer in accordance with the final purchase agreement. In such cases, the asking price for the former "no frills" home won't be considered relevant to the customized, upgraded home that is later completed. In such cases, the contract purchase price will be considered the upper limit of value rather than the old list price. It should also be noted that the most common error in appraising is failure of the appraisal to conform to contract provisions. With new homes, we will exclude non-arm's length transactions and assemblage sales. Our firm will adhere to the current definition of fair market value unless foreclosure value opinions are requested.

113. SUPPORT FOR SELECTION OF COMPARABLES

All sales used in this appraisal were from the subject market and best reflect typical buyer reaction to the subject property as if it were to be offered for sale under current market conditions. All sales were similar in living area, site size, age and features. This is a fairly uniform market in terms of construction quality, design and area amenities. As per the appraiser's certification #7, the sales selected were the MOST similar to the subject property locationally, physically and functionally. This means they are the closest in proximity or from very similar nearby competing areas of the neighborhood, they are the closest in square footage living area size and are the best "apples to apples" comparison properties in terms of interchangeability with the subject from the perspective of most typical buyers.

Reasonable homogeneity of home design allows for conformity and value protection in most cases. See street scene photos for street lights, road surfaces and public walkways. Shopping facilities are reasonably close as are linkages to freeways and other major traffic arteries which provide easy access to employment centers. Even though some clients prefer that comparables be within one mile or some other limited distance from the subject property, the appraiser defines the neighborhood boundaries based on geographic - market boundaries and knowledge as to how far from the subject typical buyers will drive, in every direction, to consider available properties.

Adjustments were made for noted differences and these adjustments were based on the physical examination of the subject, interviews with listing agents for each sale and an examination of MLS interior photos for the comps. These somewhat

subjective adjustments were based on the appraiser's judgment and experience in this market. Nominal adjustments for bath differences were based on fixture variances between a full bath and a half bath. The physical size difference between a full bath space and a half bath space was handled in the GLA adjustment.

The living area adjustments were left to last. Several different GLA adjustments were considered and it should be noted that the GLA adjustment simply reflects what typical buyers are willing to pay for the living area differential. In other words, buyers are willing to pay a certain amount for extra square feet above that which the subject offers. In most cases, each additional one hundred square feet of living area tends to contribute less and less to a sales price increase. See addendum item #68. Bracketing was attempted and is most often achieved.

After testing several different GLA adjustments, the tightest range of adjusted value indications resulted when using the noted price per foot adjustment. In effect, the testing of several different adjustments equates to numerous paired sales comparisons but does not constitute multiple regression analysis since only one variable was tested.

Most adjustments are derived from doing a CMA with numerous sales which have a particular feature and comparing that to a CMA with numerous sales which don't have that feature. Comparison of the prices, average sales price per foot and price ranges from these two CMA's, going back a year, allows the appraiser to extra the value difference for the noted adjustment and this process is equivalent to doing hundreds of paired sales analyses for each factor requiring an adjustment. This process is less subjective as a result of this type of statistical analysis but this is not equal to full multiple regression analysis.

Seller contributions, if any, were considered to determine if concessionary financing was involved. This information was extracted from MLS date and listing agent interviews. Agents were also asked if a sale involved distress factors that might place that sale outside the scope of the definition of fair market value. Lack of public transportation or its availability does not appear to affect marketability. To prevent appraisal report tampering and identity theft, readers of this report may want to contact the appraiser to confirm value and report effective date. Upon request, the appraiser will provide comparative market analyses to support the one unit housing trend indications on the front page of the URAR. See market conditions addendum for listings, sales and absorption rates.

See multiple use addendum items 11, 12, 13, 14, 15, 23, 52, 54, 56, 60, 62, 68, 70, 80, 85, 93, 97, 98, 101 and 111 for more detailed explanations and more support for appraisal procedures employed herein.

Each time we perform an appraisal, we perform some preliminary MLS research and we rely on what the tax records tell us about the subject property. However, tax office descriptions are substantially incorrect more than half the time. As such, additional research may have to be performed in our mobile appraisal offices after we inspect the subject property. We will check the internet to see if the subject property is offered for sale if it is not offered in our MLS. Since many sales are not disclosed, even if they had been listed in the MLS, the MLS sales available may only reflect half of the deed transfers that take place at the courthouse.

With this in mind, we typically search the MLS computer by subdivision name, postal zip code and MLS zone number (in that order) to find sales that are within ten to twenty percent, plus or minus, of the subject property living area. We initially check back in time six months for sales and then twelve months if plentiful sales are not available in six months. Our focus within this MLS search for sales is location similarity and proximity as well as home size & age similarity plus recent sales status. Once we secure a reasonable number of verified sales, we then try to refine this data by excluding distress sales and sales that are further distant than normally preferred. If we have to use sales that are more than a mile from the subject property, we usually do so when such sales are very recently closed and are from very similar competing areas of the overall neighborhood that we know typical buyers would consider anyway.

Once we have a reasonable sample of closed retail sales, we enter the nine best comparables in our appraisal grid so that we can make adjustments and see if the adjusted value indications form a reasonable bell curve dispersion at the bottom of the appraisal grid spreadsheet. So that our value estimate reflects the most probable selling price, we typically throw out the highest and lowest adjusted value indications and focus on those indicators that near the middle of the value range. We want our value opinion to be THE most probable retail selling price.

114. SUPPORT FOR ADJUSTMENTS - itemized

- a. Sale or financing concessions - we adjust for excessive seller contributions above six percent and we don't adjust the sales to the subject financing - but rather to the market.
- b. Date of sale/time - we perform a price trend analysis to determine direction of value and rate of change - when we use the most recent sales, this type of adjustment is usually not necessary.
- c. Location - if we have a sale in a different location, we perform CMA's in the subject location and the different location to determine if there is a significant median home price and price per foot difference. If there is a difference, we apply that percentage difference or price per foot difference to the sales price of the comparable in question. By using sales in the same location in most cases, this type of adjustment can be avoided.
- d. Leasehold/Fee Simple - we rarely have leasehold properties where this adjustment is considered or needed.
- e. Site - when the best comps are on smaller or larger sites, we do CMA's for various site sizes where all other factors are similar and we extract the selling price percentage difference as a basis for the indicated adjustment.

f. View - sales with special views are usually excluded but if a sale is needed we will grid it up after all other sales have been adjusted - then the view adjustment will be extracted and confirmed with comparisons of CMA's involving sales with and without the view amenity. If the subject has a special view, we will seek out comps with similar views. External obsolescence adjustments are made here on the same basis.

g. Design - rarely will a home design require an adjustment, but we often have a difference between one story and two story designs with the same home size and this price per foot differential can be extracted from CMA comparisons for the two designs. Unusual designs often sell for less and such sales will be excluded - unless it mirrors the subject.

h. Quality of construction - we try to use comps of the same quality - adjustments for interior finish upgrades are handled below the basement line - if a significant quality difference does exist we will grid up the superior quality sale last after all adjustments have been made to all sales - then we make similar adjustments to the superior quality sale and extract the quality differential - plus we can confirm this with CMA's for different quality levels of homes.

i. Age - adjustments are made on the basis of actual and effective age differences - we can confirm this type of adjustment with CMA's where home age is changed in three year increments - higher prices are usually paid for newer homes and this can be calibrated using this multiple paired sales CMA technique.

j. Condition - younger homes are often in better condition so we may have an age and condition adjustment - but we prefer to use comps with similar levels of updating and overall condition - we can isolate one different condition sale, make all adjustments to all other sales then grid the sale with the differing condition factor and isolate the adjustment plus can confirm this with CMA comparisons - but if we use nine sales (for example) only one of which has a condition difference, that's eight paired sales comparisons which is usually adequate to support the adjustment.

k. Baths - adjustments are made for fixture differences and not for the living area space the bathroom requires - these adjustments for sinks, toilets and tubs are based on contributory value and CMA price differences for numerous sales.

l. Basement - this adjustment is as rare as leasehold versus fee simple - we would exclude all basement comps since almost no homes we appraise include basements. The opposite would be true if the subject has a basement.

m. Upgrades - this adjustment takes into consideration upgrades and finish extras recently built or recently updated homes may have. Two CMA's can compare two sets of sales with and without upgrades to extract price per foot differences for many comparisons.

n. Functional utility - if a home lacks covered parking it is functionally deficient in most cases and a token adjustment is usually made. Super-adequacies result from over-improvements and such comps are usually excluded.

o. Heating & Cooling - most homes have central HVAC systems and adjustments are rarely needed. If the subject lacks central HVAC, we will try to find sales that have the same type of system the subject provides. If an adjustment is needed to some sales, we will save this adjustment to last and verify same with direct CMA comparisons.

p. Energy Efficiency - most homes in the same age group have similar energy efficiency packages - but if one home has "green" features like geo-thermal or solar, they usually represent over-improvements and are handled as such since they don't often add to sales prices on a dollar for dollar basis.

q. Garage/Carport - CMA's comparing prices per foot or sales price differences for homes with different numbers and types of covered parking spaces help appraisers arrive at appropriate adjustment levels. Usually, we select sales on the basis of similar garages so no adjustments are needed and the vast majority of sales in a development or neighborhood will have similar covered parking.

r. Porch/Patio - most homes have similar porch & patio amenities so adjustments are rarely needed. If a home has a sunroom or enclosed patio, token adjustments may be considered but they will be subjective and may not be an item that can be extracted from market data.

s. Fireplace/Fence/Pool - the last three lines of the appraisal grid allow for adjustments when comps have other significant differences. We can readily compare CMA's, for example, with groups of sales with and without pools. The average prices for each group or average selling prices per foot are helpful in determining what typical buyers paid for the pool difference. Often, seasonal modifications are made to pool adjustments - but cost of such an item rarely equates to value on a dollar for dollar basis.

In conclusion, it should be noted that a CMA with just 20 sales, without a particular feature requiring adjustment, compared to a CMA with the feature in question equates to 400 paired sales analysis permutations. For both CMA's, the average selling price and average sales price per foot is the statistical mean and the differential between these two areas of central tendency is indeed the most probable selling price variance that can be attributed to the feature requiring adjustment. This method appears to have a higher correlation coefficient than multiple regression analysis.

115. APPRAISER MAY HAVE APPRAISED SUBJECT PROPERTY IN THE LAST THREE YEARS

It is possible that this appraiser may have appraised the subject property in the last three years. When known, this fact will be disclosed in subsequent appraisal reports. However, for all appraisals performed by this appraiser, it is understood and agreed that performing a prior appraisal will not preclude a re-appraisal by this same appraiser any time in the future. Client agrees that disclosure of a prior appraisal in a future appraisal for a different client, as may be required by USPAP, does not constitute a confidentiality issue. It is understood and agreed that the appraiser's terms of use do not include an agreement on the part of the appraiser to refrain from disclosing such prior appraisals. This way, the appraiser will not have to decline future assignments.