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A layman's guide to Uniform Appraisal Dataset

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On September 1st (January 1st, 2012 for FHA loans), there will be significant changes in the way in which appraisers complete appraisal reports. These changes include a set of abbreviations, condition and quality ratings for single family and condominium appraisals. Known as the "Uniform Appraisal Dataset" or UAD for short, these changes are intended to create consistent appraisal reporting.

Appraisers will be choosing from a list of abbreviations contained in a Fannie Mae/Freddie Mac document. The abbreviations describe both location and view and begin by classifying certain factors as beneficial, neutral or adverse or B, N or A. The abbreviations are also a mix of upper and lower case characters. For example, all property that has water frontage, regardless if it is ocean, stream or swamp, will have WtrFrt as a standardized descriptor.

The condition and quality of the property each have their own rating system. Condition is to be rated C1 through C6 while quality is Q1 through Q6. Fannie and Freddie provide descriptive definitions of each level of rating that an appraiser will subjectively apply based on his or her experience.

There will be a learning curve for appraisers who will become better at completing appraisal reports that are UAD compliant as they go along. Real estate sales professionals and consumers will find it more difficult as they struggle to learn the definitions and coding that apply to a specific property. Many appraisal reports should contain a new addendum that lists the meanings of abbreviations, condition and quality rating.

One area that will trip up the appraisal process is with the condition rating. Appraisers have to report if the kitchen or bathrooms have been remodeled, updated or not updated anytime over the past 15 years. Here is what these terms mean according to Fannie Mae and Freddie Mac:

"A remodeled area reflects fundamental changes that include multiple alterations. These alterations may include some or all of the following: replacement of a major component (cabinet(s), bathtub, or bathroom tile), relocation of plumbing/gas fixtures/appliances, significant structural alterations (relocating walls, and/or the addition of square footage). This would include a complete gutting and rebuild."

"An updated area of the home should have an improved look and feel, or functional utility. Changes that constitute updates include refurbishment and/or replacing components to meet existing market expectations. Updates do not include significant alterations to the existing structure."

"Not update includes, but is not limited to new homes. Residential properties of fifteen years of age or less often reflect an original condition with no updating, if no major components have been replaced or updated. Those over fifteen years of age are also considered not updated if the appliances, fixtures, and finishes are predominantly dated. An area that is 'Not Updated' may still be well maintained and fully functional, and this rating does not necessarily imply deferred maintenance or physical/functional deterioration."

Appraisers have to determine this information for the property being appraised and also for the properties selected as comparables. Realtors can provide much needed assistance if they start adding more details regarding remodeling and updating to their MLS listing sheets. Otherwise, appraisers have to make phone calls and exercise their best judgment when it comes to comparing the subject to comparable properties. Incomplete information might lead to important adjustments to value being missed.

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This article is provided by MBREA as a resource for real estate sales professionals and consumers. For additional information about the Uniform Appraisal Dataset please visit <https://www.efanniemae.com/sf/lqi/umdp/uad/index.jsp> or http://www.freddiemac.com/sell/secmktg/uniform_appraisal.html

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