

Chapter 5605: Appraisal Requirements

5605.1: Appraisal report requirements and appraiser responsibilities (06/04/25)

This section contains:

- [Appraisal report requirements](#)
- [Appraiser responsibilities](#)

(a) Appraisal report requirements

The appraisal report must meet Freddie Mac's requirements for property valuation, appraisal reporting, and quality. The Seller must ensure the appraiser's compliance with the Uniform Standards of Professional Appraisal Practice.

See Section 5604.1 for information on appraisal report forms.

(b) Appraiser responsibilities

The description of the Mortgaged Premises must be complete and accurate, and the opinion of market value of the subject property must be credible and adequately supported. The appraiser must have knowledge and experience appraising in the Market Area in which the subject property is located. An appraisal assignment may be particularly challenging, and the appraiser's knowledge and experience even more important, when the property is in an area with various property types and land uses (e.g., rural areas).

5605.2: Definition of market value (06/04/25)

An appraisal must be based on the following definition of market value:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated

2. Both parties are well informed or well advised, and each is acting in what he or she considers his or her own best interest
3. A reasonable time is allowed for exposure in the open market
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto, and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a Market Area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

The market value estimate of the subject property must not include value assigned to furniture or any other personal property.

5605.3: Subject property, contract and Neighborhood description (06/04/25)

This section contains requirements related to:

- [Identifying the subject property address, legal description, occupancy status, property rights, listing information and lender/client](#)
- [Contract analysis](#)
- [Neighborhood description and analysis](#)

(a) Identifying the subject property address, legal description, occupancy status, property rights, listing information and lender/client

(i) Subject property address and owner of record

The "Subject" section of the appraisal report must identify the subject property by providing a complete property address and legal description and by identifying the owner of public record for the property.

For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the format of the property address must conform to the United States Postal Service (USPS) Address Standards in Publication 28. (Refer to Section 5606.1.)

(ii) Legal description

For each Mortgage delivered to Freddie Mac with an appraisal report, the appraisal report must include the legal description of the subject property. If the legal description is lengthy, the appraiser may attach it as an addendum to the appraisal report.

The legal description used in the Security Instrument, title insurance policy or other evidence of title must be in one of the forms listed below.

(A) Metes and bounds

If the appraisal report contains a metes and bounds legal description, it should comply with the following standards:

- The beginning point should be established by a monument located at the beginning point or by reference to a nearby monument
- Each boundary of the Mortgaged Premises must be described by its distances and bearings.

Note: In place of bearings, the interior angle method is acceptable if the beginning point is on a dedicated public street line or a fixed line on other property or if the course of the first side can be otherwise properly fixed.

- The distances, bearings and angles should be taken from a recent instrument survey or a recently recertified instrument survey by a licensed civil engineer or registered surveyor
- Curved courses should be described by data including the length of arc, the radius of circle for the arc and the chord distance and bearing.

Note: When a survey course is part of a dedicated public street or road line, the course may be described by indicating the distance and direction the course takes along the street line from the end of the previous course, if commonly accepted by private institutional Mortgage investors in the Market Area where the Mortgaged Premises is located.

- The legal description should be a single perimeter description of the entire plot
- The subject property must not be divided into parcels unless serving a special purpose of the Mortgage; however:

- ❑ The subject property must be divided if the parcel is located on two sides of a public way
- ❑ It is customary in many areas to describe an easement appurtenant to a fee simple parcel by using a separate parcel description

(B) Lot and block

A description composed of lots and/or blocks, including a reference to a recorded map or plat that shows the lots or blocks, is usually adequate.

When all lots or blocks in the description do not appear on the same recorded map or plat, a reference to the location of the apparently identical sides of lots or blocks in different recorded maps or plats, fixed in both maps or both plats by the same monuments (a rare situation), is usually adequate.

(C) Additional acceptable forms

If a parcel is bounded on all sides by dedicated streets or alleys, it is acceptable for the legal description to refer only to the bounding lines of the streets or alleys.

A description of registered property is acceptable if it is in the form required by the local Torrens Act.

(D) Consistency of legal description

The Mortgage, title insurance policy (or substitute evidence of title), survey, lease, mortgage insurance policy, property insurance policies and all other documents pertaining to the Mortgage or the Mortgaged Premises must each have a legal description consistent with that in the other documents.

(iii) Occupancy status, property rights and listing information

The occupancy status of the property must be identified as either owner, tenant or vacant as of the effective date of the appraisal report.

The property rights appraised must be reported as either fee simple or leasehold, and the appraisal report must indicate whether the property is currently offered for sale or was offered for sale within the 12 months prior to the effective date of the appraisal report. The appraisal report must state the data source(s) used, offering price(s), date(s) and days on market for the subject property.

(iv) Lender/client identification

The appraisal report must include the name of the lender on the lender/client line. Any applicable appraisal management company must be reported in the appraiser's certification section of the appraisal report form.

(b) Contract analysis

The contract for sale for the subject property must include:

- Sale or contract price
- Date of contract
- Any loan charges to be paid by the property seller, and
- Any financing or sales concessions to be paid by the property seller or any other interested party to the transaction

The Seller must ensure the complete contract for sale for the subject property is provided to the appraiser with the appraisal request, regardless of whether the appraisal is ordered by the Seller or another lender.

The "Contract" section of the appraisal report must include:

- The results of the appraiser's analysis of the contract for sale
- Contract price
- Date of contract, and
- Acknowledgement as to whether the property seller is the owner of public record, and the data source(s) used

The appraiser must have the necessary and appropriate data sources for the Market Area in which the subject property is located. The appraisal report must include the total dollar amount and a description of any financial assistance (e.g., loan charges, sales concessions, gift or Down Payment assistance) to be paid by any party on behalf of the Borrower.

For appraisal reports that are required to be completed using the UAD, the "Contract" section of the appraisal report must indicate the type of sale for the underlying transaction. Valid UAD sale types include REO sale, short sale, court-ordered sale, estate sale, relocation sale, non-arm's length sale and arm's length sale. (Refer to Section 5606.1.)

(c) Neighborhood description and analysis

The “Neighborhood” section of the appraisal report requires the appraiser to:

- Identify the Neighborhood boundaries and describe the Neighborhood characteristics as either “Urban,” “Suburban” or “Rural”
- Describe the percent built-up as either “Over 75%,” “25-75%” or “Under 25%”
- Describe the growth rate as either “Rapid,” “Stable” or “Slow”
- Report on market conditions, one-unit housing trends, price and age ranges and present land uses for the properties in the Neighborhood

(i) Market Area analysis

Mortgages secured by residential properties in urban, suburban or rural Market Areas are eligible for delivery to Freddie Mac if the Mortgaged Premises is adequate collateral for the transaction, based on the value, condition and marketability of the property. Market conditions and Neighborhood or Market Area characteristics vary based on property location.

The appraisal report must include the appraiser’s explanation of their conclusions.

(ii) Neighborhood or Market Area characteristics

Neighborhood or Market Area characteristics that are typical in certain locations may not exist in other locations; therefore, Neighborhood or Market Area characteristics must be viewed in the context of the location of the subject property.

Example:

Urban locations often consist of a variety of different property types that have different uses. It is not unusual in urban Neighborhoods to find properties with mixed uses, such as residential properties that also have a commercial use. Rural locations may have agricultural zoning and/or consist of a variety of different property types and land uses, such as large sites with outbuildings, farms, ranches and undeveloped land.

When performing the Neighborhood or Market Area analysis, the appraiser must consider the existence of any of the following in the Neighborhood or Market Area:

- Mixed-use property
- Non-residential property
- Non-residential land uses, such as agricultural property, undeveloped land or land under development

The existence of mixed-use properties, non-residential properties or non-residential land uses in the Neighborhood or Market Area does not make the residential properties in those locations ineligible as security for Mortgages delivered to Freddie Mac.

Example:

A subject property in a rural area where agricultural activities are prevalent may be eligible as security for a Mortgage delivered to Freddie Mac if the appraiser determines the subject property is residential, based on the subject property's characteristics and land use.

5605.3: Subject property, contract and Neighborhood description (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of this section.

This section contains requirements related to:

- [Identifying the subject property address, legal description, occupancy status, property rights, listing information and lender/client](#)
- [Contract analysis](#)
- [Neighborhood description and analysis](#)

(a) Identifying the subject property address, legal description, occupancy status, property rights, listing information and lender/client

(i) Subject property address and owner of record

The “Subject” section of the appraisal report must identify the subject property by providing a complete property address and legal description and by identifying the owner of public record for the property.

For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the format of the property address must conform to the United States Postal Service (USPS) Address Standards in Publication 28. (Refer to Section 5606.1.)

(ii) Legal description

For each Mortgage delivered to Freddie Mac with an appraisal report, the appraisal report must include the legal description of the subject property. If the legal description is lengthy, the appraiser may attach it as an addendum to the appraisal report.

The legal description used in the Security Instrument, title insurance policy or other evidence of title must be in one of the forms listed below.

(A) Metes and bounds

If the appraisal report contains a metes and bounds legal description, it should comply with the following standards:

- The beginning point should be established by a monument located at the beginning point or by reference to a nearby monument
- Each boundary of the Mortgaged Premises must be described by its distances and bearings.

Note: In place of bearings, the interior angle method is acceptable if the beginning point is on a dedicated public street line or a fixed line on other property or if the course of the first side can be otherwise properly fixed.

- The distances, bearings and angles should be taken from a recent instrument survey or a recently recertified instrument survey by a licensed civil engineer or registered surveyor
- Curved courses should be described by data including the length of arc, the radius of circle for the arc and the chord distance and bearing.

Note: When a survey course is part of a dedicated public street or road line, the course may be described by indicating the distance and direction the course takes along the street line from the end of the previous course, if commonly accepted by private institutional Mortgage investors in the Market Area where the Mortgaged Premises is located.

- The legal description should be a single perimeter description of the entire plot
- The subject property must not be divided into parcels unless serving a special purpose of the Mortgage; however:
 - The subject property must be divided if the parcel is located on two sides of a public way

- ❑ It is customary in many areas to describe an easement appurtenant to a fee simple parcel by using a separate parcel description

(B) Lot and block

A description composed of lots and/or blocks, including a reference to a recorded map or plat that shows the lots or blocks, is usually adequate.

When all lots or blocks in the description do not appear on the same recorded map or plat, a reference to the location of the apparently identical sides of lots or blocks in different recorded maps or plats, fixed in both maps or both plats by the same monuments (a rare situation), is usually adequate.

(C) Additional acceptable forms

If a parcel is bounded on all sides by dedicated streets or alleys, it is acceptable for the legal description to refer only to the bounding lines of the streets or alleys.

A description of registered property is acceptable if it is in the form required by the local Torrens Act.

(D) Consistency of legal description

The Mortgage, title insurance policy (or substitute evidence of title), survey, lease, mortgage insurance policy, property insurance policies and all other documents pertaining to the Mortgage or the Mortgaged Premises must each have a legal description consistent with that in the other documents.

(iii) Occupancy status, property rights and listing information

The occupancy status of the property must be identified as either owner, tenant or vacant as of the effective date of the appraisal report.

The property rights appraised must be reported as either fee simple or leasehold, and the appraisal report must indicate whether the property is currently offered for sale or was offered for sale within the 12 months prior to the effective date of the appraisal report. The appraisal report must state the data source(s) used, offering price(s), date(s) and days on market for the subject property.

(iv) Lender/client identification

The appraisal report must include the name of the lender on the lender/client line. Any applicable appraisal management company must be reported in the appraiser's certification section of the appraisal report form.

(b) Contract analysis

The contract for sale for the subject property must include:

- Sale or contract price
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- Any financing or sales concessions to be paid by the property seller or any other interested party to the transaction

The Seller must ensure the complete contract for sale for the subject property is provided to the appraiser with the appraisal request, regardless of whether the appraisal is ordered by the Seller or another lender.

The “Contract” section of the appraisal report must include:

- The results of the appraiser’s analysis of the contract for sale
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- Acknowledgement as to whether the property seller is the owner of public record, and the data source(s) used

The appraiser must have the necessary and appropriate data sources for the Market Area in which the subject property is located. The appraisal report must include the total dollar amount and a description of any financial assistance (e.g., loan charges, sales concessions, gift or Down Payment assistance) to be paid by any party on behalf of the Borrower.

For appraisal reports that are required to be completed using the UAD, the “Contract” section of the appraisal report must indicate the type of sale for the underlying transaction. Valid UAD sale types include REO sale, short sale, court-ordered sale, estate sale, relocation sale, non-arm’s length sale and arm’s length sale. (Refer to Section 5606.1.)

(c) Neighborhood description and analysis

The “Neighborhood” section of the appraisal report requires the appraiser to:

- Identify the Neighborhood boundaries and describe the Neighborhood characteristics as either “Urban,” “Suburban” or “Rural”
- Describe the percent built-up as either “Over 75%,” “25-75%” or “Under 25%”

- Describe the growth rate as either “Rapid,” “Stable” or “Slow”
- Report on market conditions, one-unit housing trends, price and age ranges and present land uses for the properties in the Neighborhood

(i) Market Area analysis

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The appraisal report must include the appraiser’s explanation of their conclusions.

(ii) Neighborhood or Market Area characteristics

Neighborhood or Market Area characteristics that are typical in certain locations may not exist in other locations; therefore, Neighborhood or Market Area characteristics must be viewed in the context of the location of the subject property.

Example:

Urban locations often consist of a variety of different property types that have different uses. It is not unusual in urban Neighborhoods to find properties with mixed uses, such as residential properties that also have a commercial use. Rural locations may have agricultural zoning and/or consist of a variety of different property types and land uses, such as large sites with outbuildings, farms, ranches and undeveloped land.

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The existence of mixed-use properties, non-residential properties or non-residential land uses in the Neighborhood or Market Area does not make the residential properties in those locations ineligible as security for Mortgages delivered to Freddie Mac.

Example:

A subject property in a rural area where agricultural activities are prevalent may be eligible as security for a Mortgage delivered to Freddie Mac if the appraiser determines the subject property is residential, based on the subject property's characteristics and land use.

5605.3: Subject property (Future effective date 11/02/26)

This section contains requirements related to:

- [Subject property address and owner of record](#)
- [Legal description](#)

(a) Subject property address and owner of record

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For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the format of the property address must conform to the United States Postal Service (USPS) Address Standards in Publication 28. (Refer to Section 5606.1.)

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- The distances, bearings and angles should be taken from a recent instrument survey or a recently recertified instrument survey by a licensed civil engineer or registered surveyor
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 - ❑ The subject property must be divided if the parcel is located on two sides of a public way
 - ❑ It is customary in many areas to describe an easement appurtenant to a fee simple parcel by using a separate parcel description

(ii) Lot and block

A description composed of lots and/or blocks, including a reference to a recorded map or plat that shows the lots or blocks, is usually adequate.

When all lots or blocks in the description do not appear on the same recorded map or plat, a reference to the location of the apparently identical sides of lots or blocks in different recorded maps or plats, fixed in both maps or both plats by the same monuments (a rare situation), is usually adequate.

5605.4: Site and location analysis (06/04/25)

This section contains requirements related to:

- [Property characteristics](#)
- [Environmental issues and detrimental conditions](#)

(a) Property characteristics

The “Site” section of the appraisal report must accurately describe the physical characteristics of the site, site improvements, site view and available utilities, and it must fully analyze any locational factors affecting the site.

(i) Zoning

The appraisal report must accurately describe:

- The zoning classification
- A description of the zoning classification
- Whether the land use of the subject property represents a legal use, a legal non-conforming use (commonly referred to as grandfathered use), or an illegal use, or there is no zoning

(A) Eligible zoning classification

Freddie Mac does not limit Mortgage purchases to Mortgages secured by properties with specific zoning classifications; however, the Mortgaged Premises zoning classification is an important characteristic the Seller must consider when determining whether the Mortgage is eligible for sale to Freddie Mac.

Example: If a property is zoned for agricultural use, the Seller must ensure the property is residential in nature, its residential use is a permissible use under the zoning classification and its use does not primarily involve commercial activities such as farming or ranching.

(B) Eligible zoning compliance

The zoning compliance must be either legal or legal non-conforming.

A 1-unit property with an ADU that has illegal zoning compliance may be eligible if the requirements of Section 5601.2 are met.

A 2- or 3-unit property with an ADU must have legal or legal non-conforming zoning compliance.

A 4-unit property with an ADU is not eligible.

Mortgaged Premises in jurisdictions with no zoning are acceptable security for Mortgages delivered to Freddie Mac.

For Mortgaged Premises with a land use that is legal non-conforming, the appraisal report must reflect any adverse effect the non-conforming use has on the opinion of market value.

A Mortgage is ineligible for sale to Freddie Mac if the Mortgage is secured by property that is subject to coastal tideland, wetland or setback laws or regulations that prevent the rebuilding or maintenance of the property improvements if they are damaged or destroyed.

(ii) Highest and best use

For the Mortgage to be eligible for sale to Freddie Mac, the highest and best use of the subject property as improved (or as proposed per plans and specifications) must be the present use.

(iii) Utilities

The appraisal report must describe the utilities permanently connected to the site and the impact to value and marketability. The utilities serving the subject property must meet community standards. The comparable sales should have utilities similar to the subject property.

When differences in utilities exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum.

(iv) Streets

The subject property must have legal ingress and egress by streets constructed and maintained in a manner that meets community standards. Refer to Section 4702.4(e) for requirements related to access provided by a private road, joint-driveway or easement.

The appraisal report should contain comparable sales with street access, ownership, maintenance and materials similar to the subject property.

When differences in street access, ownership, maintenance or materials exist between the subject property and a comparable sale, the appraisal report must include

justification and support for the adjustments, or lack of adjustments, made to the comparable sale. The appraisal report should include an explanation of the effect these differences have on the subject property's value or marketability.

(v) Site size

Freddie Mac does not limit Mortgage purchases based on the size of the subject property site. The appraisal report must identify the total area of the site. The appraisal report should include comparable sales with similar site sizes.

When differences in site size exist between the subject property and the comparable sales, the appraisal report must include an explanation in the comments area of the appraisal report or on an attached addendum for any adjustments or lack of adjustments made for significant differences in site size between the subject property and the comparable sales and the effect these differences have on the subject property's value or marketability.

(vi) Flood hazard area

The flood hazard section of the appraisal report is not required to be completed if the flood zone is determined by another party, such as a non-appraiser on the staff of the Seller, a surveyor or a specialized flood zone determination company.

If the property is in a "Special Flood Hazard Area" as identified by the Federal Emergency Management Agency through the National Flood Insurance Program, the appraisal report must describe any impacts this has on the subject property's value or marketability.

See Section 4703.3 for flood zone determination and flood insurance requirements.

(b) Environmental issues and detrimental conditions

(i) Impact of Contaminated Sites, Hazardous Substances and other adverse conditions

If the Seller knows of the existence of a Contaminated Site in the Neighborhood where the property is located, it must inform the appraiser of the Contaminated Site when ordering the appraisal.

The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the property or the Neighborhood in which the property is located.

The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property.

Examples of conditions that require analysis and commentary include, but are not limited to:

- Presence of asbestos, urea-formaldehyde or any similar insulation in the dwelling
- Proximity of the subject property to:
 - ❑ A Contaminated Site
 - ❑ Ground water contamination, chemical or petroleum spills or other Hazardous Substances that are expected to impact the area for more than one year
 - ❑ Areas that may affect the value or marketability of the subject property, including, but not limited to:
 - Industrial sites
 - Waste or water treatment facilities
 - Commercial establishments (other than retail establishments that serve the Neighborhood)
 - Airport approach paths
 - Floodplains
 - Landslide areas

(ii) Detrimental conditions

The appraisal report must identify the presence of detrimental conditions, such as expansive soils, underground mines or subsidence, in the immediate area or on the subject property site. If the detrimental condition(s) is located on the subject property site, the appraisal report must be made “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern to determine if a repair or alteration is required.

The appraiser must consider the effect the condition(s) may have on estimating the subject property’s market value and marketability.

For any appraisal report that is made subject to an inspection(s) due to a detrimental condition(s), the Seller must include in the Mortgage file evidence of repair, alteration or an inspection report indicates the condition does not require or alteration. (See Section 5605.8 for additional information related to appraisal reports completed “subject to” and inspection.)

5605.4: Site and location analysis (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of this section.

This section contains requirements related to:

- [Property characteristics](#)
- [Environmental issues and detrimental conditions](#)

(a) Property characteristics

The “Site” section of the appraisal report must accurately describe the physical characteristics of the site, site improvements, site view and available utilities, and it must fully analyze any locational factors affecting the site.

(i) Zoning

The appraisal report must accurately describe:

- The zoning classification
- A description of the zoning classification
- Whether the land use of the subject property represents a legal use, a legal non-conforming use (commonly referred to as grandfathered use), or an illegal use, or there is no zoning

(A) Eligible zoning classification

Freddie Mac does not limit Mortgage purchases to Mortgages secured by properties with specific zoning classifications; however, the Mortgaged Premises zoning classification is an important characteristic the Seller must consider when determining whether the Mortgage is eligible for sale to Freddie Mac.

Example: If a property is zoned for agricultural use, the Seller must ensure the property is residential in nature, its residential use is a permissible use under the zoning classification and its use does not primarily involve commercial activities such as farming or ranching.

(B) Eligible zoning compliance

The zoning compliance must be either legal or legal non-conforming.

A 1-unit property with an ADU that has illegal zoning compliance may be eligible if the requirements of Section 5601.2 are met.

A 2- or 3-unit property with an ADU must have legal or legal non-conforming zoning compliance.

A 4-unit property with an ADU is not eligible.

Mortgaged Premises in jurisdictions with no zoning are acceptable security for Mortgages delivered to Freddie Mac.

For Mortgaged Premises with a land use that is legal non-conforming, the appraisal report must reflect any adverse effect the non-conforming use has on the opinion of market value.

A Mortgage is ineligible for sale to Freddie Mac if the Mortgage is secured by property that is subject to coastal tideland, wetland or setback laws or regulations that prevent the rebuilding or maintenance of the property improvements if they are damaged or destroyed.

(ii) Highest and best use

For the Mortgage to be eligible for sale to Freddie Mac, the highest and best use of the subject property as improved (or as proposed per plans and specifications) must be the present use.

(iii) Utilities

The appraisal report must describe the utilities permanently connected to the site and the impact to value and marketability. The utilities serving the subject property must meet community standards. The comparable sales should have utilities similar to the subject property.

When differences in utilities exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum.

(iv) Streets

The subject property must have legal ingress and egress by streets constructed and maintained in a manner that meets community standards. Refer to Section 4702.4(e) for requirements related to access provided by a private road, joint-driveway or easement.

The appraisal report should contain comparable sales with street access, ownership, maintenance and materials similar to the subject property.

When differences in street access, ownership, maintenance or materials exist between the subject property and a comparable sale, the appraisal report must include justification and support for the adjustments, or lack of adjustments, made to the comparable sale. The appraisal report should include an explanation of the effect these differences have on the subject property's value or marketability.

(v) Site size

Freddie Mac does not limit Mortgage purchases based on the size of the subject property site. The appraisal report must identify the total area of the site. The appraisal report should include comparable sales with similar site sizes.

When differences in site size exist between the subject property and the comparable sales, the appraisal report must include an explanation in the comments area of the appraisal report or on an attached addendum for any adjustments or lack of adjustments made for significant differences in site size between the subject property and the comparable sales and the effect these differences have on the subject property's value or marketability.

(vi) Flood hazard area

The flood hazard section of the appraisal report is not required to be completed if the flood zone is determined by another party, such as a non-appraiser on the staff of the Seller, a surveyor or a specialized flood zone determination company.

If the property is in a "Special Flood Hazard Area" as identified by the Federal Emergency Management Agency through the National Flood Insurance Program, the appraisal report must describe any impacts this has on the subject property's value or marketability.

See Section 4703.3 for flood zone determination and flood insurance requirements.

(b) Environmental issues and detrimental conditions

(i) Impact of Contaminated Sites, Hazardous Substances and other adverse conditions

If the Seller knows of the existence of a Contaminated Site in the Neighborhood where the property is located, it must inform the appraiser of the Contaminated Site when ordering the appraisal.

The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the property or the Neighborhood in which the property is located.

The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property.

Examples of conditions that require analysis and commentary include, but are not limited to:

- Presence of asbestos, urea-formaldehyde or any similar insulation in the dwelling
- Proximity of the subject property to:
 - A Contaminated Site
 - Ground water contamination, chemical or petroleum spills or other Hazardous Substances that are expected to impact the area for more than one year
 - Areas that may affect the value or marketability of the subject property, including, but not limited to:
 - Industrial sites
 - Waste or water treatment facilities
 - Commercial establishments (other than retail establishments that serve the Neighborhood)
 - Airport approach paths
 - Floodplains
 - Landslide areas

(ii) Detrimental conditions

The appraisal report must identify the presence of detrimental conditions, such as expansive soils, underground mines or subsidence, in the immediate area or on the

subject property site. If the detrimental condition(s) is located on the subject property site, the appraisal report must be made “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern to determine if a repair or alteration is required.

The appraiser must consider the effect the condition(s) may have on estimating the subject property’s market value and marketability.

For any appraisal report that is made subject to an inspection(s) due to a detrimental condition(s), the Seller must include in the Mortgage file evidence of repair, alteration or an inspection report indicates the condition does not require or alteration. (See Section 5605.8 for additional information related to appraisal reports completed “subject to” and inspection.)

5605.4: Site (Future effective date 11/02/26)

This section contains requirements related to:

- [Site characteristics](#)
- [Environmental issues and detrimental conditions](#)
- [Utilities](#)
- [Hazard zones](#)
- [Property restrictions](#)

(a) Site characteristics

The “Site” section of the appraisal report must accurately describe the characteristics of the site, such as size, number of parcels, property access, site influences, view, site features, and utilities. The appraisal report must identify any impact the site features or view have on the value and marketability of the subject property.

(i) Site size and parcels

Freddie Mac does not limit Mortgage purchases based on the size of the subject property site. The appraisal report must identify the total area of the site. If the Mortgaged Premises is situated on more than one parcel, the appraisal report must identify whether the parcels have at least one common boundary or an object or element separates the parcels.

When the Mortgaged Premises is situated on two or more parcels:

- The parcels must be adjoining.

Exception: Parcels that would otherwise be adjoining but are separated by a road (e.g., a waterfront property where the parcel without the residence offers access to the water) are eligible if the parcel without the residence is non-buildable (but may include non-residential improvements such as a garage or dock) and the Mortgage file contains evidence that the parcel without the residence cannot be improved with a dwelling.

- The Mortgaged Premises must contain only one residence. (An ADU is allowed on the parcel that contains the residence if the eligibility requirements of Section 5601.2 are met.)
- The Mortgage must be a valid First Lien on each parcel
- Each parcel must have the same basic zoning (e.g., residential, agricultural)
- Each parcel must be conveyed in its entirety
- The site description must accurately describe the land and any improvements included on each parcel
- The residence or improvements may be situated across lot lines
- Non-residential improvements (e.g., garages, outbuildings) are acceptable on any parcel

(ii) Zoning

The appraisal report must accurately describe:

- The zoning classification code as defined by the local governing authority (e.g., R-1, R-2)
- A description of the zoning classification code and the details of the classification code as used and defined by the local governing authority (e.g., residential single-family dwellings on 1-acre lots, residential 2-4 family dwellings)
- The level of compliance of the site or improvements with zoning regulations. Acceptable responses include:
 - ☐ Legal use
 - ☐ Legal non-conforming use (any illegal use that is grandfathered or allowed by special exception)

- ☐ Illegal use
- ☐ There is no zoning

(A) Eligible zoning classification

Freddie Mac does not limit Mortgage purchases to Mortgages secured by properties with specific zoning classifications; however, the Mortgaged Premises zoning classification is an important characteristic the Seller must consider when determining whether the Mortgage is eligible for sale to Freddie Mac.

Example: If a property is zoned for agricultural use, the Seller must ensure the property is residential in nature, its residential use is a permissible use under the zoning classification and its use does not primarily involve commercial activities such as farming or ranching.

(B) Eligible zoning compliance

The zoning compliance must be either legal or legal non-conforming.

A 1-unit property with an ADU that has illegal zoning compliance may be eligible if the requirements of Section 5601.2 are met.

A 2- or 3-unit property with an ADU must have legal or legal non-conforming zoning compliance.

A 4-unit property with an ADU is not eligible.

Mortgaged Premises in jurisdictions with no zoning are acceptable security for Mortgages delivered to Freddie Mac.

For Mortgaged Premises with a land use that is legal non-conforming, the appraisal report must reflect any adverse effect the non-conforming use has on the opinion of market value.

A Mortgage is ineligible for sale to Freddie Mac if the Mortgage is secured by property that is subject to coastal tideland, wetland or setback laws or regulations that prevent the rebuilding or maintenance of the property improvements if they are damaged or destroyed.

(iii)Property access

The Mortgaged Premises must have legal ingress and egress by streets constructed and maintained in a manner that meets community standards. Refer to Section 4702.4(e) for requirements related to access provided by a private road, joint-driveway or easement.

The appraisal report should contain comparable sales with street access, ownership, maintenance and materials similar to the subject property.

(b) Environmental issues and detrimental conditions

(i) Impact of Contaminated Sites, Hazardous Substances and other adverse conditions

If the Seller knows of the existence of a Contaminated Site in the Neighborhood, the Seller must inform the appraiser of the Contaminated Site when ordering the appraisal.

The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the subject property or are within the vicinity of the property.

The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property.

Examples of conditions that require analysis and commentary include, but are not limited to:

- Hazardous Above Ground Storage Tank
- Hazardous Substances
- Landfill
- Radon
- Slush Pit
- Soil Contamination
- Superfund Site
- Underground Storage Tank
- Water Contamination

(ii) Detrimental conditions

The appraisal report must identify the presence of detrimental conditions, such as expansive soils, underground mines or subsidence, in the immediate area or on the subject property site. If the detrimental condition(s) is located on the subject property site, the appraisal report must be made “subject to” an inspection by an appropriately

licensed professional or another person trained in the particular field of concern to determine if a repair or alteration is required.

The appraiser must consider the effect the condition(s) may have on the subject property's market value and marketability.

For any appraisal report that is made subject to an inspection(s) due to a detrimental condition(s), the Seller must include in the Mortgage file evidence of repair, alteration or an inspection report indicates the condition does not require or alteration. (See Section 5605.8 for additional information related to appraisal reports completed "subject to" and inspection.)

(c) Utilities

The appraisal report must describe the utilities that are permanently connected to the site and the impact of the utilities on the value and marketability of the subject property. The utilities that serve the subject property must meet community standards. The comparable sales should have utilities that are similar to the subject property's utilities.

When differences exist between the utilities that serve subject property and those that serve the comparable sales, any adjustments or lack of adjustments to the comparable sales must be explained in the appraisal report.

(d) Hazard zones

If the subject property is in a hazard zone (i.e., flood zone, lava zone), the appraiser must include that information in the appraisal report.

If the flood zone determination is made by another party other than the appraiser, such as a non-appraiser on the staff of the Seller, a surveyor or a specialized flood zone determination company, the flood hazard section of the appraisal report is not required to be completed.

If the property is in a "Special Flood Hazard Area" (SFHA) as identified by the Federal Emergency Management Agency (FEMA) through the National Flood Insurance Program (NFIP), the appraisal report must describe any impacts of the SFHA on the subject property's value or marketability.

See Section 4703.3 for flood zone determination and flood insurance requirements.

(e) Property restrictions

The appraisal report must identify any property restrictions or encumbrances that affect the subject property and identify the impact of such restrictions or encumbrances on the subject property including commentary describing any impact to the subject property's value or marketability.

5605.5: Improvements analysis (06/04/25)

This section contains requirements related to:

- [Property condition and quality of construction](#)
- [Required permits](#)
- [Unusual floor plans](#)
- [Rehabilitated or renovated property](#)
- [Non-conformity to the Neighborhood and non-traditional or unique property types](#)
- [Outbuildings on a property](#)

(a) Property condition and quality of construction

The appraisal report must contain an accurate description of the improvements and describe any factors that may affect the market value or marketability of the subject property. The appraiser is responsible for reporting the condition and quality that best describe the overall condition and quality of the subject property.

For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the appraiser must use the condition and quality ratings and the level of updating definitions identified in Exhibit 36, Condition and Quality Ratings and Level of Updating Definitions. For appraisal reports that are not required to be completed using the UAD, the UAD specifications may be used to the extent they are applicable to the particular appraisal report form.

The condition and quality ratings must be based on a holistic view of the property and any improvements. When selecting the condition and quality ratings, the appraiser must:

- Consider all improvements to determine overall condition and quality ratings and select the ratings that best reflect a holistic view of the property
 - ❑ If any portion of the improvements has a quality of construction consistent with the Q6 quality rating, the property must be identified with a Q6 quality rating
 - ❑ If any portion of the improvements is impacted by one or more deficiencies that are consistent with a C5 or C6 condition rating, the property must be identified with a C5 or C6 condition rating
- Describe the subject property on an absolute basis as of the effective date of the appraisal report, meaning the property must be rated on its own merits.

Ratings should not be selected on a relative basis, meaning a rating is not selected based on how the property relates or compares to other properties. The condition and quality ratings for comparable properties must be made on an absolute basis and reflect the condition and quality of the comparable property as of the date of sale of the comparable property.

- As necessary, provide additional commentary, descriptions and explanations to enable the intended users of the appraisal report to understand the property condition and quality

(i) Properties with a Q6 quality rating

Unless otherwise noted below, a Mortgaged Premises with an overall quality rating of Q6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the property to be rated with a Q6 quality rating are cured before delivery of the Mortgage to Freddie Mac. In such cases, when an appraisal report is delivered with the Mortgage, the appraisal report must be completed “subject to” and the reported quality rating must reflect the hypothetical condition that would exist if the repairs or alterations were completed.

Note: See Section 5605.8 for information related to appraisal reports completed “subject to” repairs or alterations and PDRs with required repairs.

Examples that indicate the property has a Q6 quality rating include, but are not limited to:

- Quality such that the property is not habitable as a year-round residence
- Minimal or non-existent electrical, plumbing and/or other mechanical systems
- Substandard additions to the original structure
- Other quality related deficiencies that make the property unacceptable to typical purchasers in the Market Area

For CHOICERenovation[®] Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the property to be rated with a Q6 quality rating may be cured after delivery to Freddie Mac, if these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(ii) Properties with a C5 or C6 condition rating

Unless otherwise noted below, a Mortgaged Premises with an overall condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the property to be rated with a C5 or C6 condition rating are cured before delivery of the Mortgage to Freddie Mac. In such cases, when an appraisal report is delivered with the Mortgage, the appraisal report must be completed

“subject to” and the reported condition rating must reflect the hypothetical condition that would exist if the repairs or alterations were completed.

Note: See Section 5605.8 for information related to appraisal reports completed “subject to” repairs or alterations and PDRs with required repairs.

Examples of deficiencies that indicate the property is in C5 or C6 condition include, but are not limited to:

- Active roof leaks
- Missing or damaged exterior siding or soffits that would allow water or other elements to enter the dwelling
- Missing or damaged interior drywall or plaster such that the functional utility of the subject property is negatively impacted
- Standing water in the property, water seepage/intrusion or significant plumbing leaks
- Uncapped wiring
- Curled, cupped or missing roof shingles
- Damaged or unfinished floor coverings such that the subfloor is exposed in one or more rooms such that the functional utility of the subject property is negatively impacted
- Damaged or failing foundations
- A mechanical system that has exceeded its expected life or mechanical systems that are non-functional, or
- A sanitary system with evidence of failure

For CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the property to be rated with a C5 or C6 condition rating may be cured after delivery to Freddie Mac, if these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(iii) Appraisal reports completed “subject to” an inspection

If there are property conditions that require further investigation, the appraisal report must be completed “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern.

Examples of conditions that may require an inspection include, but are not limited to, observations of:

- Severe cracks in foundations or walls
- Evidence of infestation, or
- Potentially contaminated water source

The Seller must include in the Mortgage file evidence of the repair or an inspection report that indicates the condition does not require repair. See Section 5605.8 for additional information related to appraisal reports completed “subject to” an inspection.

(iv) Existing properties with minor needed repairs or deficiencies or deferred maintenance

Freddie Mac allows an appraisal report to be completed “as is” for an existing property when there are minor needed repairs, deficiencies or deferred maintenance. The appraisal report must reflect adjustments for these conditions in the appraisal report, when necessary.

Examples of acceptable minor needed repairs, deficiencies and deferred maintenance items include, but are not limited to:

- Worn floor finishes or coverings
- Minor cracks in windows
- Minor damage to interior walls
- Damaged or missing interior doors
- Damaged or missing window screens or cabinetry doors
- Missing handrails
- Damaged or deteriorating countertops
- Missing hardware (such as handles)

- Missing light fixtures, electrical panel/breaker box covers, electrical switches or faceplates
- Damaged or missing trim
- Minor plumbing leaks that do not cause damage (such as dripping faucets)
- Deteriorated sidewalks

(b) Required permits

If there are additions or alterations that were made without required permits, the appraisal report should contain comments on the quality and appearance of the work.

(c) Unusual floor plans

An unusual floor plan, such as a home with tandem bedrooms or a bathroom off the kitchen, does not make a property ineligible as security for a Mortgage delivered to Freddie Mac. The appraisal report should include commentary that addresses whether an unusual floor plan or similar obsolescence is found in other properties in the Market Area. To the extent possible, comparable properties should have similar obsolescence to demonstrate marketability and support value of the subject property.

(d) Rehabilitated or renovated property

For properties that have recently undergone rehabilitation or renovation, the appraisal report must identify the changes made and contain photographs of the rehabilitation or renovation. The photographs must meet the requirements in Section 5604.2(a).

(e) Non-conformity to the Neighborhood and non-traditional or unique property types

When the subject property does not conform to its Neighborhood in terms of type, design, age, materials or techniques used in its construction, the appraisal report must reflect the effect of the nonconformance on the property's value and marketability.

Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to:

- “Barndominiums” (barn conversions or barn-style buildings)
- “Shouses” (living-space and work/storage combinations)
- Berm homes
- Log homes

- Geodesic dome dwellings

The appraisal report must include comparable sales that demonstrate the subject property's dwelling type or style is marketable. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See Section 5601.5 for mixed-use requirements.)

The appraisal report may contain traditional homes as comparable sales for non-traditional or unique properties if the appraiser identifies any differences between the subject and comparable sales and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.

(f) Outbuildings on a property

The Seller must consider outbuildings on a subject property, such as barns or stables, in the underwriting process to determine whether the subject property is primarily residential or non-residential. A subject property with a small barn or stable may be acceptable if the contributory value of the outbuilding is minimal in relation to the total appraised value of the subject property. The appraisal report must demonstrate (e.g., through the use of comparable sales, pending sales, listings) that these characteristics are typical for residential properties in the Market Area.

Note: When a subject property has a large outbuilding, such as a large barn or silo, or multiple outbuildings or facilities for farm animals, the subject property may be agricultural or non-residential and ineligible as security for a Freddie Mac Mortgage, regardless of whether the appraiser assigns value to these improvements.

5605.5: Improvements analysis (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of this section.

This section contains requirements related to:

- [Property condition and quality of construction](#)
- [Required permits](#)
- [Unusual floor plans](#)

- [Rehabilitated or renovated property](#)
- [Non-conformity to the Neighborhood and non-traditional or unique property types](#)
- [Outbuildings on a property](#)

(a) Property condition and quality of construction

The appraisal report must contain an accurate description of the improvements and describe any factors that may affect the market value or marketability of the subject property. The appraiser is responsible for reporting the condition and quality that best describe the overall condition and quality of the subject property.

For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the appraiser must use the condition and quality ratings and the level of updating definitions identified in Exhibit 36, Condition and Quality Ratings and Level of Updating Definitions. For appraisal reports that are not required to be completed using the UAD, the UAD specifications may be used to the extent they are applicable to the particular appraisal report form.

The condition and quality ratings must be based on a holistic view of the property and any improvements. When selecting the condition and quality ratings, the appraiser must:

- Consider all improvements to determine overall condition and quality ratings and select the ratings that best reflect a holistic view of the property
 - ❑ If any portion of the improvements has a quality of construction consistent with the Q6 quality rating, the property must be identified with a Q6 quality rating
 - ❑ If any portion of the improvements is impacted by one or more deficiencies that are consistent with a C5 or C6 condition rating, the property must be identified with a C5 or C6 condition rating
- Describe the subject property on an absolute basis as of the effective date of the appraisal report, meaning the property must be rated on its own merits.

Ratings should not be selected on a relative basis, meaning a rating is not selected based on how the property relates or compares to other properties. The condition and quality ratings for comparable properties must be made on an absolute basis and reflect the condition and quality of the comparable property as of the date of sale of the comparable property.

- As necessary, provide additional commentary, descriptions and explanations to enable the intended users of the appraisal report to understand the property condition and quality

(i) Properties with a Q6 quality rating

Unless otherwise noted below, a Mortgaged Premises with an overall quality rating of Q6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the property to be rated with a Q6 quality rating are cured before delivery of the Mortgage to Freddie Mac. In such cases, when an appraisal report is delivered with the Mortgage, the appraisal report must be completed “subject to” and the reported quality rating must reflect the hypothetical condition that would exist if the repairs or alterations were completed.

Note: See Section 5605.8 for information related to appraisal reports completed “subject to” repairs or alterations and PDRs with required repairs.

Examples that indicate the property has a Q6 quality rating include, but are not limited to:

- Quality such that the property is not habitable as a year-round residence
- Minimal or non-existent electrical, plumbing and/or other mechanical systems
- Substandard additions to the original structure
- Other quality related deficiencies that make the property unacceptable to typical purchasers in the Market Area

For CHOICERenovation[®] Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the property to be rated with a Q6 quality rating may be cured after delivery to Freddie Mac, if these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(ii) Properties with a C5 or C6 condition rating

Unless otherwise noted below, a Mortgaged Premises with an overall condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the property to be rated with a C5 or C6 condition rating are cured before delivery of the Mortgage to Freddie Mac. In such cases, when an appraisal report is delivered with the Mortgage, the appraisal report must be completed “subject to” and the reported condition rating must reflect the hypothetical condition that would exist if the repairs or alterations were completed.

Note: See Section 5605.8 for information related to appraisal reports completed “subject to” repairs or alterations and PDRs with required repairs.

Examples of deficiencies that indicate the property is in C5 or C6 condition include, but are not limited to:

- Active roof leaks
- Missing or damaged exterior siding or soffits that would allow water or other elements to enter the dwelling
- Missing or damaged interior drywall or plaster such that the functional utility of the subject property is negatively impacted
- Standing water in the property, water seepage/intrusion or significant plumbing leaks
- Uncapped wiring
- Curled, cupped or missing roof shingles
- Damaged or unfinished floor coverings such that the subfloor is exposed in one or more rooms such that the functional utility of the subject property is negatively impacted
- Damaged or failing foundations
- A mechanical system that has exceeded its expected life or mechanical systems that are non-functional, or
- A sanitary system with evidence of failure

For CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the property to be rated with a C5 or C6 condition rating may be cured after delivery to Freddie Mac, if these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(iii) Appraisal reports completed “subject to” an inspection

If there are property conditions that require further investigation, the appraisal report must be completed “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern.

Examples of conditions that may require an inspection include, but are not limited to, observations of:

- Severe cracks in foundations or walls
- Evidence of infestation, or

- Potentially contaminated water source

The Seller must include in the Mortgage file evidence of the repair or an inspection report that indicates the condition does not require repair. See Section 5605.8 for additional information related to appraisal reports completed “subject to” an inspection.

(iv) Existing properties with minor needed repairs or deficiencies or deferred maintenance

Freddie Mac allows an appraisal report to be completed “as is” for an existing property when there are minor needed repairs, deficiencies or deferred maintenance. The appraisal report must reflect adjustments for these conditions in the appraisal report, when necessary.

Examples of acceptable minor needed repairs, deficiencies and deferred maintenance items include, but are not limited to:

- Worn floor finishes or coverings
- Minor cracks in windows
- Minor damage to interior walls
- Damaged or missing interior doors
- Damaged or missing window screens or cabinetry doors
- Missing handrails
- Damaged or deteriorating countertops
- Missing hardware (such as handles)
- Missing light fixtures, electrical panel/breaker box covers, electrical switches or faceplates
- Damaged or missing trim
- Minor plumbing leaks that do not cause damage (such as dripping faucets)
- Deteriorated sidewalks

(b) Required permits

If there are additions or alterations that were made without required permits, the appraisal report should contain comments on the quality and appearance of the work.

(c) Unusual floor plans

An unusual floor plan, such as a home with tandem bedrooms or a bathroom off the kitchen, does not make a property ineligible as security for a Mortgage delivered to Freddie Mac. The appraisal report should include commentary that addresses whether an unusual floor plan or similar obsolescence is found in other properties in the Market Area. To the extent possible, comparable properties should have similar obsolescence to demonstrate marketability and support value of the subject property.

(d) Rehabilitated or renovated property

For properties that have recently undergone rehabilitation or renovation, the appraisal report must identify the changes made and contain photographs of the rehabilitation or renovation. The photographs must meet the requirements in Section 5604.2(a).

(e) Non-conformity to the Neighborhood and non-traditional or unique property types

When the subject property does not conform to its Neighborhood in terms of type, design, age, materials or techniques used in its construction, the appraisal report must reflect the effect of the nonconformance on the property's value and marketability.

Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to:

- “Barndominiums” (barn conversions or barn-style buildings)
- “Shouses” (living-space and work/storage combinations)
- Berm homes
- Log homes
- Geodesic dome dwellings

The appraisal report must include comparable sales that demonstrate the subject property's dwelling type or style is marketable. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See Section 5601.5 for mixed-use requirements.)

The appraisal report may contain traditional homes as comparable sales for non-traditional or unique properties if the appraiser identifies any differences between the subject and comparable sales and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.

(f) Outbuildings on a property

The Seller must consider outbuildings on a subject property, such as barns or stables, in the underwriting process to determine whether the subject property is primarily residential or non-residential. A subject property with a small barn or stable may be acceptable if the contributory value of the outbuilding is minimal in relation to the total appraised value of the subject property. The appraisal report must demonstrate (e.g., through the use of comparable sales, pending sales, listings) that these characteristics are typical for residential properties in the Market Area.

Note: When a subject property has a large outbuilding, such as a large barn or silo, or multiple outbuildings or facilities for farm animals, the subject property may be agricultural or non-residential and ineligible as security for a Freddie Mac Mortgage, regardless of whether the appraiser assigns value to these improvements.

5605.5: Improvements analysis (Future effective date 11/02/26)

This section contains requirements related to:

- [Property condition and quality of construction](#)
- [Highest and best use](#)
- [Disaster mitigation](#)
- [Required permits](#)
- [Unusual floor plans](#)
- [Rehabilitated or renovated property](#)
- [Non-conformity to the Neighborhood and non-traditional or unique property types](#)
- [Outbuildings on a property](#)

(a) Property condition and quality of construction

The appraisal report must contain an accurate description of the improvements and describe any factors that may affect the market value or marketability of the subject property. For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the appraisal report must include:

- A description of all defects, damages, or deficiencies that impact the subject property. Defects, damages and deficiencies are items that:
 - ❑ Rise to the level of recommending repair, replacement, or inspection by an individual with expertise in the industry,
 - ❑ Negatively affect the integrity or composition of the site itself,
 - ❑ Negatively affect the soundness or structural integrity of the improvements,
 - ❑ Measurably impact the marketability or value of the subject property, or
 - ❑ Are incomplete
- Condition and quality ratings consistent with the definitions in Exhibit 36, Condition and Quality Ratings
- The overall, interior, and exterior condition and quality rating for the Mortgaged Premises, including a reconciliation of the overall quality and condition ratings

The overall quality and condition ratings must reflect the quality and condition of the Mortgaged Premises as though any required repairs, inspections, or completions have been satisfactorily completed

- The “as is” overall condition rating, excluding all required repairs, alterations or inspections.

If any portion of the improvements is impacted by one or more deficiencies that are consistent with a C5 or C6 condition rating, the “as is” overall condition rating of the property must be C5 or C6.

- The condition status of each interior and exterior feature and a description of both the condition status and the update status for certain components of the property (e.g., kitchen, bathroom, flooring)

The overall condition and quality ratings must describe the subject property as of the effective date of the appraisal report on an absolute basis, not on a relative basis (i.e., the property must be rated on its own merits rather than on how it relates or compares to other properties). The quality and condition ratings for comparable properties must also be made on an absolute basis and reflect the quality and condition of the comparable property as of the date of sale.

For appraisal reports that are not required to be completed using the UAD, the UAD specifications may be used to the extent they are applicable to the following appraisal report forms:

- Form 1032, One-Unit Residential Appraisal Field Review Report
- Form 1033, One-Unit Residential Appraisal Desk Review Report
- Form 1072, Two- to Four-Unit Residential Appraisal Field Review Report

(i) Properties with a Q6 quality rating

Unless otherwise noted below, a Mortgaged Premises with an overall quality rating of Q6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the subject property to be rated with a Q6 quality rating are cured before delivery of the Mortgage to Freddie Mac. In such cases, when an appraisal report is delivered with the Mortgage, the appraisal report must be completed “subject to” and the reported quality rating must reflect the hypothetical condition that would exist if the repairs or alterations were completed.

Note: See Section 5605.9 for information related to appraisal reports completed “subject to” repairs or alterations and PDR requirements for verifying completion.

Examples of defects, damages or deficiencies that indicate the subject property has a Q6 quality rating include, but are not limited to:

- A lack of basic architectural designs and may not meet local building code
- Materials and amenities are low quality, alternate, or non-customary
- Construction or installation reflects unskilled workmanship and may not be adequately equipped to support year-round occupancy, or
- Other quality related deficiencies that make the subject property unacceptable to typical purchasers in the Market Area

For CHOICERenovation[®] Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the subject property to be rated with a Q6 quality rating may be cured after delivery to Freddie Mac, if these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(ii) Properties with an “as is” C5 or C6 condition rating

Unless otherwise noted below, a Mortgaged Premises with an “as is” condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the subject property to be rated with a C5 or C6 condition “as is” rating are cured before delivery of the Mortgage to Freddie Mac. In such cases, when an appraisal report is delivered with the Mortgage, the appraisal report must be completed “subject to” and the reported condition rating must reflect the hypothetical condition that would exist if the repairs or alterations were completed.

Note: See Section 5605.9 for information related to appraisal reports completed “subject to” repairs or alterations and PDR requirements for verifying completion.

Examples of defects, damages or deficiencies that indicate the property has C5 or C6 condition rating include, but are not limited to:

- Active roof leaks or roofing that is significantly worn, cupped, curled or missing shingles
- Missing or damaged exterior siding or soffits that would allow water or other elements to enter the dwelling
- Missing or damaged interior drywall or plaster such that the functional utility of the subject property is negatively impacted
- Standing water in the property, water seepage/intrusion or significant plumbing leaks
- Uncapped wiring
- Damaged or unfinished floor coverings such that the subfloor is exposed in one or more rooms such that the functional utility of the subject property is negatively impacted
- Damaged or failing foundations
- A mechanical system that has exceeded its expected life or mechanical systems that are non-functional, or
- A sanitary system with evidence of failure
- No functional kitchen or bathroom or the kitchen or all bathrooms in disrepair

For CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the subject property to be rated with a C5 or C6 condition rating may be cured after delivery to Freddie Mac, if these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(iii) Appraisal reports completed “subject to” an inspection

If there are property conditions that require further investigation, the appraisal report must be completed “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern.

Examples of conditions that may require an inspection include, but are not limited to, observations of:

- Severe cracks in foundations or walls
- Evidence of infestation, or
- Potentially contaminated water source

The Seller must include in the Mortgage file evidence of the repair or an inspection report that indicates the condition does not require repair. See Section 5605.8 for additional information related to appraisal reports completed “subject to” an inspection.

(iv) Existing properties with minor defects, damages or deficiencies

Freddie Mac allows an appraisal report to be completed “as is” for an existing property when there are minor defects, damages or deficiencies. The appraisal report must reflect adjustments for these conditions in the appraisal report, when necessary.

Examples of acceptable minor defects, damages or deficiencies and deferred maintenance items include, but are not limited to:

- Worn floor finishes or coverings
- Minor cracks in windows
- Minor damage to interior walls
- Damaged or missing interior doors
- Damaged or missing window screens or cabinetry doors
- Missing handrails
- Damaged or deteriorating countertops
- Missing hardware (such as handles)
- Missing light fixtures, electrical panel/breaker box covers, electrical switches or faceplates
- Damaged or missing trim
- Minor plumbing leaks that do not cause damage (such as dripping faucets)
- Deteriorated sidewalks

(b) Highest and best use

For a Mortgage to be eligible for sale to Freddie Mac, the present land use of the subject property must also be the highest and best use of the subject property as improved (or as proposed per plans and specifications).

(c) Disaster mitigation

If the subject property or a comparable sale has disaster mitigation features designed to prevent or reduce the impact of natural disasters on the property, the appraisal report must identify those features. Examples of disaster mitigation features include, but are not limited to, fire resistant decking or exterior walls, flood vents, fortified roof, impact resistant shingles and storm shutters.

(d) Required permits

If additions or alterations were made without required permits, the appraisal report should contain comments on the quality and appearance of the work.

(e) Unusual floor plans

An unusual floor plan, such as a home with tandem bedrooms or a bathroom off the kitchen, does not make a property ineligible as security for a Mortgage delivered to Freddie Mac. The appraisal report should include commentary that addresses whether an unusual floor plan or similar obsolescence is found in other properties in the Market Area. To the extent possible, comparable properties should have similar obsolescence to demonstrate marketability and support value of the subject property.

(f) Rehabilitated or renovated property

For properties that have recently undergone rehabilitation or renovation, the appraisal report must identify the changes made and contain photographs of the rehabilitation or renovation.

(g) Non-conformity to the Neighborhood and non-traditional or unique property types

When the subject property does not conform to its Neighborhood in terms of type, design, age, materials or techniques used in its construction, the appraisal report must reflect the effect of the nonconformance on the property's value and marketability.

Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to:

- “Barndominiums” (barn conversions or barn-style buildings)
- “Shouses” (living-space and work/storage combinations)

- Berm homes
- Log homes
- Geodesic dome dwellings
- Container homes

The appraisal report must include comparable sales that demonstrate the subject property's dwelling type or style is marketable. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See Section 5601.5 for mixed-use requirements.)

The appraisal report may contain traditional homes as comparable sales for non-traditional or unique properties if the appraiser identifies any differences between the subject and comparable sales and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.

(h) Outbuildings on a property

The Seller must consider outbuildings on a subject property, such as barns or stables, in the underwriting process to determine whether the subject property is primarily residential or non-residential. A subject property with a small barn or stable may be acceptable if the contributory value of the outbuilding is minimal in relation to the total appraised value of the subject property. The appraisal report must demonstrate (e.g., through the use of comparable sales, pending sales, listings) that these characteristics are typical for residential properties in the Market Area.

Note: When a subject property has a large outbuilding, such as a large barn or silo, or multiple outbuildings or facilities for farm animals, the subject property may be agricultural or non-residential and ineligible as security for a Freddie Mac Mortgage, regardless of whether the appraiser assigns value to these improvements.

5605.6: Sales comparison approach (06/04/25)

Freddie Mac requires that all appraisal reports include a sales comparison approach. This section contains requirements related to:

- [Adjustments](#)
- [Sales and financing concessions](#)
- [Market Area analysis and market condition adjustments](#)
- [Location](#)
- [View](#)
- [Condition and quality](#)
- [Selection of comparable sales and analysis](#)
- [Sale and listing history](#)

For special appraisal requirements for HeritageOne® Mortgages, see Section 4504.9.

(a) Adjustments

Each comparable sale must be analyzed for similarities and differences between it and the subject property. When the appraiser's analysis concludes an adjustment is necessary, the appraisal report must include adjustments for differences and indicate the dollar amount of the adjustment to reflect the value of the differences to the market.

The appraisal report must contain an explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments).

Comparable sales must be adjusted to the subject property except for sales and financing concessions that must be adjusted based on their effect on the sales price of the comparable sale. Large adjustments typically occur in rural markets, and with unique properties, due to limited market activity. Freddie Mac does not have limitations on gross or net adjustment percentages. See subsection (c) below for market condition adjustment requirements.

(b) Sales and financing concessions

The appraisal report must identify how the sales were verified and whether concessions were granted.

Sales or financing concessions may be offered by interested parties to the transaction (e.g., the builder, developer, property seller or real estate agent).

Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for costs that are normally paid by property sellers as a result of tradition or law in a Market Area; these costs are readily identifiable since the property seller pays these costs in virtually all sales transactions.

Adjustments to a comparable sale with a concession(s) must reflect the actual effect on the sales price of that comparable sale; that effect may be equal to, lower than or higher than the actual amount (or value) of the concession.

Note: For Seller treatment of concessions, see Section 5501.5.

(c) Market Area analysis and market condition adjustments

The market trend (increasing, stable or declining) must be based on factual data from information sources, such as, but not limited to, market data, home price indices, multiple listing services, public records and/or models. The market trend identified in the appraisal report must reflect the overall movement of the market based on a minimum of 12 months of data.

A specific market condition adjustment to a comparable sale may differ from the identified market trend since the determination of whether to make an adjustment to a comparable sale is based on market changes between the contract date of the comparable sale and the effective date of the appraisal.

Example: The 12-month trend indicates a positive overall trend, although the market was stable (or declining) between the contract date of the comparable sale and the effective date of the appraisal report. (See Exhibit 44, Market Condition Adjustments.)

Comparable sales with a contract date that is recent in relation to the effective date of the appraisal report may not have a market condition adjustment, given the inability to identify a change in the market.

The appraisal report must contain the market analysis that supports the market trend and any adjustments made for market conditions.

(d) Location

For appraisal report forms that are required to be completed using the UAD, the appraisal report form must include a rating of the location of the subject property and each comparable sale by providing a rating of either “Neutral,” “Beneficial” or “Adverse.”

The location rating (which will be abbreviated as N, B, or A in the appraisal report form) describes the overall effect of the location of the subject property within the Market Area on the value and marketability of the subject property and is not a rating of the overall Market Area. See Appendix D – Field Specific Standardization Requirements of the Uniform Appraisal Dataset Specification (“UAD Specification”) for additional requirements regarding location.

Rural locations often have less real estate sales activity than more populated areas. Property sales in rural locations often involve a variety of property types and may have relatively large

parcels compared to other locations. Given the potential challenges with appraising properties in rural Market Areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area.

When appraising properties in rural Market Areas, the appraisal report may contain older comparable sales, comparable sales that are a considerable distance from the subject property or comparable sales that are not ideally similar to the subject property. The appraisal report must include justification and support in the appraisal report for the use of any such comparable sales and make appropriate adjustments to account for the differences between the comparable sales and the subject property.

Example: If the subject property is a ranch-style home on a large parcel of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes on smaller parcels (e.g., 6–12 acres) that are some distance from the subject property (e.g., 8–18 miles away).

(e) View

For appraisal report forms that are required to be completed using the UAD, the overall view associated with the subject property and each comparable sale must be rated as either “Neutral,” “Beneficial” or “Adverse.” The UAD view rating (which will be abbreviated as N, B or A in the appraisal) describes the overall effect of the view associated with the subject property on the value and marketability of the subject property. See Appendix D – Field Specific Standardization Requirements of the UAD Specification for additional requirements regarding view.

Refer to Section 5606.1 for additional information related to UAD requirements.

(f) Condition and quality

Adjustments must be made for differences in condition and quality between the subject property and each comparable sale. The appraisal report may contain an adjustment for differences in quality and condition between the subject property and a comparable property, even though the properties have the same UAD quality or condition rating. In this case, an explanation must be provided in the appraisal report.

Refer to Section 5605.5 for information related to property condition and quality of construction, Section 5606.1 for information related to UAD requirements and Exhibit 36, Condition and Quality Ratings and Level of Updating Definitions.

(g) Selection of comparable sales and analysis

The appraisal report must contain a minimum of three comparable sales as part of the sales comparison approach. The appraisal report may include more than three comparable sales,

including contract sales (pending sales) and/or current listings, to support the opinion of market value.

The appraisal report should include comparable sales that closed within 12 months; however, older comparable sales may be used. The appraisal report must provide commentary on the reasons for using any comparable sales that are more than six months old.

The proper selection of comparable properties minimizes both the need for, and the size of, any adjustments. This typically includes characteristics such as:

- Finished area
- Room count
- Quality
- Site

When choosing comparable sales, it's important to identify the Neighborhood in which the subject property is located and determine whether the Neighborhood represents the Market Area or the Market Area is larger than the Neighborhood. The appraiser may need to use comparable sales from outside the subject property's Market Area, and, in such cases, location adjustments may be necessary. When comparable sales are located outside the Market Area, the appraisal report must contain commentary explaining the rationale for the selected comparable sales.

There may be no similar comparable sales for a subject property because of the uniqueness of the subject property or other conditions.

Comparable sales may be taken from a competing Market Area if they are better than the comparable sales in the subject's Market Area.

(i) Comparable sale requirements for properties in established subdivisions, established Planned Unit Developments (PUDs) and Established Condominium Projects

For properties in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraisal report should contain comparable sales from within the subject subdivision or project when they are the best indicators of value for the subject property.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(ii) Comparable sale requirements for properties in new subdivisions, new PUDs and recently converted or New Condominium Projects

To demonstrate the marketability and develop an opinion of market value for properties in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraisal report must contain:

1. At least one comparable sale from inside the subject subdivision, PUD or project, when available. Additionally:
 - The comparable sale from inside the subject subdivision, PUD or project can be a sale by the builder or developer of the subject property
 - If there are no closed comparable sales from inside the subject subdivision, PUD or project, contract sales from inside the subject subdivision, PUD or project may be used to satisfy this requirement.

The use of contract sales must be in addition to the three actual closed sales from outside the subject subdivision, PUD or project.

- If the subject subdivision, PUD or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision, PUD or project may be used.

In this case, the appraisal report must contain commentary on the marketability of the new subdivision, PUD or project and justification supporting the use of the comparable sales from outside the new subdivision, PUD or project.

2. At least one comparable sale from outside the subject subdivision, PUD or project

Resales from inside the subject subdivision or project are preferable as comparable sales and should be given significant consideration, as they provide a reliable indicator of the market value of units within the subdivision, PUD or project.

At least two comparable sales must be sales in which the builder or developer of the subject property was not involved in the sale transaction.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(h) Sale and listing history

The appraisal report must demonstrate the appraiser researched, verified and analyzed:

- Any current agreement for sale for the subject property

- Any offering for sale of the subject property in the 12 months before the effective date of the appraisal
- Any sales or transfers of the subject property in the three years before the effective date of the appraisal
- Any sales or transfers of each comparable sale in the year before the date of sale of the comparable sale

The Seller's determination of the acceptability of each appraisal should include an analysis of the sale and listing history. The Seller must confirm the sale price trend relative to the appraiser's opinion of market value is reasonable and representative of the market.

For purchase transactions, the Seller should analyze the appraisal report and the current contract for sale for the subject property.

For both purchase and refinance transactions, the Seller's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales and the current ownership of the subject property.

To reduce the Seller's risk of liability resulting from fraudulent or inaccurate appraisals, the Seller should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired and the date(s) resold, or the date of the current resale contract, if applicable.

If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.

5605.6: Sales comparison approach (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of this section and Section 5605.7.

Freddie Mac requires that all appraisal reports include a sales comparison approach. This section contains requirements related to:

- [Adjustments](#)
- [Sales and financing concessions](#)
- [Market Area analysis and market condition adjustments](#)
- [Location](#)
- [View](#)
- [Condition and quality](#)
- [Selection of comparable sales and analysis](#)
- [Sale and listing history](#)

For special appraisal requirements for HeritageOne® Mortgages, see Section 4504.9.

(a) Adjustments

Each comparable sale must be analyzed for similarities and differences between it and the subject property. When the appraiser's analysis concludes an adjustment is necessary, the appraisal report must include adjustments for differences and indicate the dollar amount of the adjustment to reflect the value of the differences to the market.

The appraisal report must contain an explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments).

Comparable sales must be adjusted to the subject property except for sales and financing concessions that must be adjusted based on their effect on the sales price of the comparable sale. Large adjustments typically occur in rural markets, and with unique properties, due to limited market activity. Freddie Mac does not have limitations on gross or net adjustment percentages. See subsection (c) below for market condition adjustment requirements.

(b) Sales and financing concessions

The appraisal report must identify how the sales were verified and whether concessions were granted.

Sales or financing concessions may be offered by interested parties to the transaction (e.g., the builder, developer, property seller or real estate agent).

Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for costs that are normally paid by property sellers as a result of tradition or law in a Market Area; these costs are readily identifiable since the property seller pays these costs in virtually all sales transactions.

Adjustments to a comparable sale with a concession(s) must reflect the actual effect on the sales price of that comparable sale; that effect may be equal to, lower than or higher than the actual amount (or value) of the concession.

Note: For Seller treatment of concessions, see Section 5501.5.

(c) Market Area analysis and market condition adjustments

The market trend (increasing, stable or declining) must be based on factual data from information sources, such as, but not limited to, market data, home price indices, multiple listing services, public records and/or models. The market trend identified in the appraisal report must reflect the overall movement of the market based on a minimum of 12 months of data.

A specific market condition adjustment to a comparable sale may differ from the identified market trend since the determination of whether to make an adjustment to a comparable sale is based on market changes between the contract date of the comparable sale and the effective date of the appraisal.

Example: The 12-month trend indicates a positive overall trend, although the market was stable (or declining) between the contract date of the comparable sale and the effective date of the appraisal report. (See Exhibit 44, Market Condition Adjustments.)

Comparable sales with a contract date that is recent in relation to the effective date of the appraisal report may not have a market condition adjustment, given the inability to identify a change in the market.

The appraisal report must contain the market analysis that supports the market trend and any adjustments made for market conditions.

(d) Location

For appraisal report forms that are required to be completed using the UAD, the appraisal report form must include a rating of the location of the subject property and each comparable sale by providing a rating of either “Neutral,” “Beneficial” or “Adverse.”

The location rating (which will be abbreviated as N, B, or A in the appraisal report form) describes the overall effect of the location of the subject property within the Market Area on the value and marketability of the subject property and is not a rating of the overall Market Area. See Appendix D – Field Specific Standardization Requirements of the Uniform Appraisal Dataset Specification (“UAD Specification”) for additional requirements regarding location.

Rural locations often have less real estate sales activity than more populated areas. Property sales in rural locations often involve a variety of property types and may have relatively large

parcels compared to other locations. Given the potential challenges with appraising properties in rural Market Areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area.

When appraising properties in rural Market Areas, the appraisal report may contain older comparable sales, comparable sales that are a considerable distance from the subject property or comparable sales that are not ideally similar to the subject property. The appraisal report must include justification and support in the appraisal report for the use of any such comparable sales and make appropriate adjustments to account for the differences between the comparable sales and the subject property.

Example: If the subject property is a ranch-style home on a large parcel of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes on smaller parcels (e.g., 6–12 acres) that are some distance from the subject property (e.g., 8–18 miles away).

(e) View

For appraisal report forms that are required to be completed using the UAD, the overall view associated with the subject property and each comparable sale must be rated as either “Neutral,” “Beneficial” or “Adverse.” The UAD view rating (which will be abbreviated as N, B or A in the appraisal) describes the overall effect of the view associated with the subject property on the value and marketability of the subject property. See Appendix D – Field Specific Standardization Requirements of the UAD Specification for additional requirements regarding view.

Refer to Section 5606.1 for additional information related to UAD requirements.

(f) Condition and quality

Adjustments must be made for differences in condition and quality between the subject property and each comparable sale. The appraisal report may contain an adjustment for differences in quality and condition between the subject property and a comparable property, even though the properties have the same UAD quality or condition rating. In this case, an explanation must be provided in the appraisal report.

Refer to Section 5605.5 for information related to property condition and quality of construction, Section 5606.1 for information related to UAD requirements and Exhibit 36, Condition and Quality Ratings and Level of Updating Definitions.

(g) Selection of comparable sales and analysis

The appraisal report must contain a minimum of three comparable sales as part of the sales comparison approach. The appraisal report may include more than three comparable sales,

including contract sales (pending sales) and/or current listings, to support the opinion of market value.

The appraisal report should include comparable sales that closed within 12 months; however, older comparable sales may be used. The appraisal report must provide commentary on the reasons for using any comparable sales that are more than six months old.

The proper selection of comparable properties minimizes both the need for, and the size of, any adjustments. This typically includes characteristics such as:

- Finished area
- Room count
- Quality
- Site

When choosing comparable sales, it's important to identify the Neighborhood in which the subject property is located and determine whether the Neighborhood represents the Market Area or the Market Area is larger than the Neighborhood. The appraiser may need to use comparable sales from outside the subject property's Market Area, and, in such cases, location adjustments may be necessary. When comparable sales are located outside the Market Area, the appraisal report must contain commentary explaining the rationale for the selected comparable sales.

There may be no similar comparable sales for a subject property because of the uniqueness of the subject property or other conditions.

Comparable sales may be taken from a competing Market Area if they are better than the comparable sales in the subject's Market Area.

(i) Comparable sale requirements for properties in established subdivisions, established Planned Unit Developments (PUDs) and Established Condominium Projects

For properties in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraisal report should contain comparable sales from within the subject subdivision or project when they are the best indicators of value for the subject property.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(ii) Comparable sale requirements for properties in new subdivisions, new PUDs and recently converted or New Condominium Projects

To demonstrate the marketability and develop an opinion of market value for properties in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraisal report must contain:

1. At least one comparable sale from inside the subject subdivision, PUD or project, when available. Additionally:
 - The comparable sale from inside the subject subdivision, PUD or project can be a sale by the builder or developer of the subject property
 - If there are no closed comparable sales from inside the subject subdivision, PUD or project, contract sales from inside the subject subdivision, PUD or project may be used to satisfy this requirement.

The use of contract sales must be in addition to the three actual closed sales from outside the subject subdivision, PUD or project.

- If the subject subdivision, PUD or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision, PUD or project may be used.

In this case, the appraisal report must contain commentary on the marketability of the new subdivision, PUD or project and justification supporting the use of the comparable sales from outside the new subdivision, PUD or project.

2. At least one comparable sale from outside the subject subdivision, PUD or project

Resales from inside the subject subdivision or project are preferable as comparable sales and should be given significant consideration, as they provide a reliable indicator of the market value of units within the subdivision, PUD or project.

At least two comparable sales must be sales in which the builder or developer of the subject property was not involved in the sale transaction.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(h) Sale and listing history

The appraisal report must demonstrate the appraiser researched, verified and analyzed:

- Any current agreement for sale for the subject property

- Any offering for sale of the subject property in the 12 months before the effective date of the appraisal
- Any sales or transfers of the subject property in the three years before the effective date of the appraisal
- Any sales or transfers of each comparable sale in the year before the date of sale of the comparable sale

The Seller's determination of the acceptability of each appraisal should include an analysis of the sale and listing history. The Seller must confirm the sale price trend relative to the appraiser's opinion of market value is reasonable and representative of the market.

For purchase transactions, the Seller should analyze the appraisal report and the current contract for sale for the subject property.

For both purchase and refinance transactions, the Seller's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales and the current ownership of the subject property.

To reduce the Seller's risk of liability resulting from fraudulent or inaccurate appraisals, the Seller should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired and the date(s) resold, or the date of the current resale contract, if applicable.

If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.

5605.6: Market Area, sales contract, sale and listing history (Future effective date 11/02/26)

This section contains requirements related to:

- [Market Area description and analysis](#)
- [Sales contract analysis](#)
- [Sale and listing history](#)

(a) Market Area description and analysis

The “Market” section of the appraisal report requires the appraiser to:

- Define the Market Area
- Identify properties in the Market Area that directly compete with the subject property (listings, pending sales, closed sales) and the housing trends (demand, supply and marketing time) in the Market Area

(i) Market Area analysis

Mortgages secured by residential properties in urban, suburban or rural Market Areas are eligible for delivery to Freddie Mac if the Mortgaged Premises is adequate collateral for the transaction, based on the value, condition and marketability of the Mortgaged Premises. Market conditions and Neighborhood or Market Area characteristics vary based on property location.

The appraisal report must include the appraiser’s explanation of their conclusions.

(ii) Neighborhood or Market Area characteristics

Neighborhood or Market Area characteristics that are typical in certain locations may not exist in other locations; therefore, Neighborhood or Market Area characteristics must be viewed in the context of the location of the subject property.

Example:

Urban locations often consist of a variety of different property types that have different uses. It is not unusual in urban Neighborhoods to find properties with mixed uses, such as residential properties that also have a commercial use. Rural locations may have agricultural zoning and/or consist of a variety of property types and land uses, such as large sites with outbuildings, farms, ranches and undeveloped land.

When performing the Neighborhood or Market Area analysis, the appraiser must consider the existence of any of the following in the Neighborhood or Market Area:

- Mixed-use property
- Non-residential property
- Non-residential land uses, such as agricultural property, undeveloped land or land under development

The existence of mixed-use properties, non-residential properties or non-residential land uses in the Neighborhood or Market Area does not make the residential properties in those locations ineligible as security for Mortgages delivered to Freddie Mac.

Example:

A subject property in a rural area where agricultural activities are prevalent may be eligible as security for a Mortgage delivered to Freddie Mac if the appraiser determines the subject property is residential, based on the subject property's characteristics and land use.

(b) Sales contract analysis

The sales contract for the subject property must include:

- Sale or contract price
- Date of contract
- Any loan charges to be paid by the property seller, and
- Any financing or sales concessions to be paid by the property seller or any other interested party to the transaction

The Seller must review the sales contract for the subject property and ensure the complete sales contract is provided to the appraiser.

The "Sales Contract" section of the appraisal report must include:

- The results of the appraiser's analysis of the sales contract
- Contract price
- Date of contract, and
- Whether the transaction appears to be arm's length, the transfer terms, and whether personal property is being conveyed

The appraisal report must include the total dollar amount and a description of any financial assistance (e.g., loan charges, sales concessions, gift or Down Payment assistance) to be paid by any party on behalf of the Borrower.

(c) Sale and listing history

The appraisal report must demonstrate that the appraiser researched, verified, and analyzed:

- Any current agreement for sale of the subject property

- Any offering for sale of the subject property in the 12 months before the effective date of the appraisal report
- Any sales or transfers of the subject property during the three years before the effective date of the appraisal report
- Any sales or transfers of each comparable sale during the year before the date of sale of the comparable sale

The Seller's determination of the acceptability of each appraisal should include an analysis of the sale and listing history. The Seller must confirm that the sale price trend relative to the appraiser's opinion of market value is reasonable and representative of the market.

For both purchase and refinance transactions, the Seller's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales, and the current ownership of the subject property.

To reduce the Seller's risk of liability resulting from fraudulent or inaccurate appraisals, the Seller should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired, and the date(s) resold, or the date of the current resale contract, if applicable.

If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.

5605.7: Cost and income approaches and reconciliation of market value (06/04/25)

This section contains requirements related to:

- [Cost approach](#)
- [Income approach](#)
- [Reconciliation of market value](#)

The appraisal report must include any approach to value that is necessary for credible results, even if the Seller did not request it. The Seller may request the appraiser to develop and report the cost approach or the income approach, even if not required for the transaction.

(a) Cost approach

The cost approach is required for appraisals of Manufactured Homes but no other property type. (See Section 5703.9(e) for Manufactured Home requirements.)

In Market Areas with unique property styles, a lack of comparable sales or the presence of unique features (such as outbuildings), the cost approach can provide support for adjustments made in the sales comparison approach.

The cost approach may be appropriate when appraising properties that are:

- New or proposed construction
- Under renovation
- Unique because of property features (e.g., outbuildings, stables, pole-barns, shops)
- Unique because of their styles or construction methods (e.g., barn conversions (“barndominiums”), “shouses” (living-space and work/storage combinations), berm homes, log homes or geodesic dome dwellings), or
- Not typical for the Market Area or have functional obsolescence

Appraisal reports that rely solely on the cost approach for the opinion of market value are unacceptable, except for appraisals completed for a HeritageOne® Mortgage. For special appraisal requirements related to HeritageOne Mortgages, see Section 4504.9.

Freddie Mac does not require an estimate of remaining economic life.

(b) Income approach

The income approach is required for appraisals of 2- to 4-unit properties.

Appraisals that rely solely on the income approach for the opinion of market value are unacceptable.

(c) Reconciliation of market value

The data, valuation approaches and information presented in the appraisal report must justify and support the appraiser’s opinion of market value. The appraisal report must contain an explanation of how the final value conclusion was determined, and the rationale must be consistent with the comments, conclusions and assumptions stated throughout the appraisal report.

The reconciliation must contain any conditions of the appraisal on which the final opinion of market value is based.

If the subject transaction involves sales or financing concessions, the appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must provide the dollar value of the concessions as a comment in the appraisal report.

5605.7: Cost and income approaches and reconciliation of market value (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of Section 5605.8.

This section contains requirements related to:

- [Cost approach](#)
- [Income approach](#)
- [Reconciliation of market value](#)

The appraisal report must include any approach to value that is necessary for credible results, even if the Seller did not request it. The Seller may request the appraiser to develop and report the cost approach or the income approach, even if not required for the transaction.

(a) Cost approach

The cost approach is required for appraisals of Manufactured Homes but no other property type. (See Section 5703.9(e) for Manufactured Home requirements.)

In Market Areas with unique property styles, a lack of comparable sales or the presence of unique features (such as outbuildings), the cost approach can provide support for adjustments made in the sales comparison approach.

The cost approach may be appropriate when appraising properties that are:

- New or proposed construction
- Under renovation
- Unique because of property features (e.g., outbuildings, stables, pole-barns, shops)

- Unique because of their styles or construction methods (e.g., barn conversions (“barndominiums”), “shouses” (living-space and work/storage combinations), berm homes, log homes or geodesic dome dwellings), or
- Not typical for the Market Area or have functional obsolescence

Appraisal reports that rely solely on the cost approach for the opinion of market value are unacceptable, except for appraisals completed for a HeritageOne® Mortgage. For special appraisal requirements related to HeritageOne Mortgages, see Section 4504.9.

Freddie Mac does not require an estimate of remaining economic life.

(b) Income approach

The income approach is required for appraisals of 2- to 4-unit properties.

Appraisals that rely solely on the income approach for the opinion of market value are unacceptable.

(c) Reconciliation of market value

The data, valuation approaches and information presented in the appraisal report must justify and support the appraiser’s opinion of market value. The appraisal report must contain an explanation of how the final value conclusion was determined, and the rationale must be consistent with the comments, conclusions and assumptions stated throughout the appraisal report.

The reconciliation must contain any conditions of the appraisal on which the final opinion of market value is based.

If the subject transaction involves sales or financing concessions, the appraiser’s opinion of market value must reflect the value of the subject property without the concessions. The appraiser must provide the dollar value of the concessions as a comment in the appraisal report.

5605.7: Sales comparison approach (Future effective date 11/02/26)

Freddie Mac requires that all appraisal reports include a sales comparison approach. This section contains requirements related to:

- [Comparable sales data sources and verification sources](#)
- [Adjustments](#)

- [Sales and financing concessions](#)
- [Market Area analysis and market condition adjustments](#)
- [Location](#)
- [Quality and condition](#)
- [Selection of comparable sales and analysis](#)

For special appraisal requirements for HeritageOne® Mortgages, see Section 4504.9.

(a) Comparable sales data sources and verification sources

The data source(s) and the source(s) of verification for the comparable sales must be identified in the Sales Comparison Approach section of the URAR in the data source field. Examples of data source(s) and verification source(s) include, but are not limited to:

- Assessor record
- Builder or developer
- Condominium questionnaire
- Exterior inspection
- Interior inspection
- Previous appraisal file
- Multiple listing service (MLS)
- Homeowners association
- Property owner
- Real estate gent

If there is a unique identifier associated with the source of the data or verification (e.g., MLS #123456), it must also be included in the data source field.

The appraiser may obtain source data from an interested party to the subject transaction if the data is verified by a disinterested party.

(b) Adjustments

Each comparable sale must be analyzed for similarities and differences between it and the subject property. When the appraiser's analysis concludes an adjustment is necessary, the appraisal report must include adjustments for differences and indicate the dollar amount of the adjustment to reflect the value of the differences to the market.

The appraisal report must contain an explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments).

Comparable sales must be adjusted to the subject property, except for sales and financing concessions that must be adjusted based on their effect on the sales price of the comparable sale. Large adjustments typically occur in rural markets, and with unique properties, due to limited market activity. Freddie Mac does not have limitations on gross or net adjustment percentages. See subsection (c) below for market condition adjustment requirements.

(c) Sales and financing concessions

The appraisal report must identify how the comparable sales were verified and whether concessions were granted. Sales or financing concessions may be offered by interested parties to the transaction (e.g., the builder, developer, property seller or real estate agent).

Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for costs that are normally paid by property sellers because of tradition or law in a Market Area; these costs are readily identifiable since the property seller pays the costs in virtually all sales transactions in the Market Area.

If concessions were granted in a comparable sale, the appraisal report must include adjustments that reflect the effect of the concessions on the sales price of that comparable sale, which may be equal to, lower than or higher than the amount (or value) of the concessions.

Note: For Seller treatment of concessions, see Section 5501.6.

(d) Market Area analysis and market condition adjustments

The market price trend must be based on factual data from information sources, such as, but not limited to, market data, home price indices, MLS, public records and/or models. The market price trend identified in the appraisal report must reflect the overall movement of the market based on a minimum of 12 months of data.

A specific market condition adjustment to a comparable sale may differ from the identified market price trend since the determination whether to make an adjustment to a comparable sale is based on market changes between the contract date of the comparable sale and the effective date of the appraisal.

Example: The 12-month price trend indicates a positive overall trend, although the market was stable (or declining) between the contract date of the comparable sale and the effective date of the appraisal report (see Exhibit 44, Market Condition Adjustments).

Comparable sales with a contract date that is recent in relation to the effective date of the appraisal report might not have a market condition adjustment, given the inability to identify a change in the market.

The appraisal report must contain the market analysis that supports the market price trend and any adjustments made for market conditions.

(e) Location

Rural locations often have less real estate sales activity than more populated areas. Property sales in rural locations often involve a variety of property types and may have relatively large parcels compared to other locations. Given the potential challenges with appraising properties in rural Market Areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area.

When appraising properties in rural Market Areas, the appraisal report may contain older comparable sales, comparable sales that are a considerable distance from the subject property or comparable sales that are not ideally similar to the subject property. The appraisal report must include justification and support in the appraisal report for the use of the comparable sales and make appropriate adjustments to account for the differences between the comparable sales and the subject property.

Example: If the subject property is a ranch-style home on a large parcel of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes on smaller parcels (e.g., 6–12 acres) that are some distance from the subject property (e.g., 8–18 miles away).

(f) Quality and condition

Adjustments must be made for differences in quality and condition between the subject property and each comparable sale. The appraisal report may contain an adjustment for differences in quality and condition between the subject property and a comparable property, even though the properties have the same Uniform Appraisal Dataset (UAD) quality or condition rating. In this case, an explanation must be provided in the Reconciliation of Sales Comparison Approach section of the appraisal report.

Refer to Section 5605.5 for information related to property condition and quality of construction, Section 5606.1 for information related to the UAD requirements and Exhibit 36, Condition and Quality Ratings.

(g) Selection of comparable sales and analysis

The appraisal report must contain a minimum of three comparable sales as part of the sales comparison approach. The appraisal report may include more than three comparable sales, including contract sales (pending sales) and/or current listings, to support the opinion of market value.

The appraisal report should include comparable sales that closed within 12 months; provided, however, older comparable sales may be used. The appraisal report must provide commentary on the reasons for using any comparable sales that are more than six months old.

The proper selection of comparable properties minimizes both the need for, and the size of, any adjustments.

This typically includes characteristics such as:

- Finished area
- Room count
- Quality
- Site

When choosing comparable sales, it's important to identify the Neighborhood in which the subject property is located and determine whether the Neighborhood represents the Market Area or the Market Area is larger than the Neighborhood. The appraiser may need to use comparable sales from outside the subject property's Market Area and, in such cases, location adjustments may be necessary. When comparable sales are located outside the Market Area, the appraisal report must contain commentary explaining the rationale for the selected comparable sales.

There may be no similar comparable sales for a subject property because of the uniqueness of the subject property or other conditions

Comparable sales may be taken from a competing Market Area if they are better than the comparable sales in the subject property's Market Area.

(i) Comparable sale requirements for properties in established subdivisions, established Planned Unit Developments (PUDs) and Established Condominium Projects

For properties in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraisal report should contain comparable sales from within the subject subdivision or project when they are the best indicators of value for the subject property.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(ii) Comparable sale requirements for properties in new subdivisions, new PUDs and recently converted or New Condominium Projects

To demonstrate the marketability and develop an opinion of market value for properties in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraisal report must contain:

1. At least one comparable sale from inside the subject subdivision, PUD or project, when available. Additionally:
 - The comparable sale from inside the subject subdivision, PUD or project can be a sale by the builder or developer of the subject property
 - If there are no closed comparable sales from inside the subject subdivision, PUD or project, contract sales from inside the subject subdivision, PUD or project may be used to satisfy this requirement.

The use of contract sales must be in addition to the three actual closed sales from outside the subject subdivision, PUD or project.

- If the subject subdivision, PUD or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision, PUD or project may be used.

In this case, the appraisal report must contain commentary on the marketability of the new subdivision, PUD or project and justification supporting the use of the comparable sales from outside the new subdivision, PUD or project.

2. At least one comparable sale from outside the subject subdivision, PUD or project

Resales from inside the subject subdivision or project are preferable as comparable sales and should be given significant consideration, as they provide a reliable indicator of the market value of units within the subdivision, PUD or project.

At least two comparable sales must be sales in which the builder or developer of the subject property was not involved in the sale transaction.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

5605.8: Requirements for properties subject to completion or inspection (06/04/25)

This section contains requirements related to:

- [Verifying completion for new or proposed construction](#)
- [Verifying completion for an existing property](#)
- [Appraisal reports or PDRs requiring an inspection](#)

(a) Verifying completion for new or proposed construction

For appraisal reports of new or proposed construction that are subject to completion per plans and specifications, Freddie Mac will accept one of the following to verify completion of the subject property:

- Form 442, Appraisal Update and/or Completion Report, prepared by an appraiser documenting the property has been completed in accordance with the plans and specifications
 - ☐ Freddie Mac will accept a completion report prepared by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the completion report
 - ☐ The completion report may be based on an on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion
- Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form, signed by the Borrower and the builder confirming the subject property has been completed in accordance with the plans and specifications
 - ☐ By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the subject property has been completed in accordance with the plans and specifications and there were no material or significant changes to the plans and specifications after completion of the appraisal report
 - ☐ If the Seller is unable to obtain Form 400 signed by both the Borrower and builder, then Form 442 completed by the appraiser is required

The following table describes the completion verification requirements for appraisal reports subject to completion per plans and specifications:

Verifying completion for appraisal reports subject to completion per plans and specifications	
Form	Requirements for verifying completion
Form 442	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify completion of construction. <p>If the property was incomplete at the time of inspection, additional photographs may be required. (See Section 5604.2(f) for photograph requirements.)</p> <ul style="list-style-type: none"> ■ Be dated before the Settlement Date, unless the requirements for incomplete improvements (Section 5601.3) or GreenCHOICE Mortgages® (Section 4606.3(a)) have been met ■ Be signed by the appraiser ■ Be retained in the Mortgage file
Form 400	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify completion of construction. <p>If the property was incomplete at the time of inspection, additional photographs may be required. (See Section 5604.2(f) for photograph requirements.)</p> <ul style="list-style-type: none"> ■ Be dated before the Settlement Date, unless the requirements for incomplete improvements (Section 5601.3) have been met ■ Be signed by the Borrower and the builder ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages

(b) Verifying completion for an existing property

(i) Appraisal reports subject to repairs or alterations

For appraisal reports of existing properties that are subject to repairs or alterations, Freddie Mac will accept one of the following to verify completion of the subject property:

- Form 442, prepared by an appraiser documenting the repairs or alterations identified in the appraisal report have been completed
 - ❑ Freddie Mac will accept a completion report prepared by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the completion report
 - ❑ The appraiser may complete Form 442 by performing an on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion.

Virtual inspections using technology must not be used to verify completion for CHOICERenovation[®] Mortgages.

- Form 400 or other substantially similar form, signed by the Borrower confirming the required repairs or alterations identified in the appraisal report have been completed.

By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the repairs or alterations have been completed.

- PDR Completion Report, prepared by a property data collector, attesting the repairs or alterations identified in the appraisal report have been completed
 - ❑ The property data collector must complete the PDR Completion Report by performing an on-site visual observation of the subject property to verify completion
 - ❑ The PDR Completion Report may be used only with a hybrid appraisal.

The following table describes the completion verification requirements for appraisal reports subject to repairs or alterations:

Verification of completion for an existing property – appraisal reports	
Form	Requirements for verifying completion
Form 442	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date unless requirements for GreenCHOICE Mortgages or CHOICERenovation Mortgages, as described in Sections 4606.3(a) and 4607.8, respectively, have been met ■ Be signed/attested by the appraiser ■ Be retained in the Mortgage file
Form 400 or other substantially similar form	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Include either: <ul style="list-style-type: none"> <input type="checkbox"/> A signed report from the professional that completed the work, or <input type="checkbox"/> Paid invoice(s) for the repairs or alterations ■ Be signed/attested by the Borrower(s) ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages or CHOICERenovation Mortgages

<p>PDR Completion Report (May be used only with a hybrid appraisal report)</p>	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Contain the data points and certifications in the PDR Completion Report data set (Exhibit 39, Completion Report Data Set) ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Be signed/attested by the property data collector ■ Be retained in the Mortgage file
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(ii) ACE+ PDR when the Seller's review of the PDR determines required repairs or alterations

For ACE+ PDR when the Seller's review of the PDR determines there are required repairs or alterations, Freddie Mac will accept one of the following to verify completion:

- PDR Completion Report, prepared by a property data collector, attesting that the subject property has been completed in compliance with the required repairs or alterations.

The property data collector must complete the PDR Completion Report by performing an on-site visual observation of the subject property to verify completion.

- Form 400, or other substantially similar form, signed by the Borrower confirming completion of repairs or alterations identified in the PDR.

By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the repairs or alterations have been completed.

The following table describes the completion verification requirements for PDRs when the Seller's review determines repairs or alterations:

Verification of completion for PDRs when the Seller's review determines repairs or alterations	
Form	Requirements for verifying completion
PDR Completion Report	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Contain the data points and certifications in the PDR Completion Report data set (Exhibit 39) ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Be signed/attested by the property data collector ■ Be retained in the Mortgage file
Form 400 or other substantially similar form	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Include either: <ul style="list-style-type: none"> <input type="checkbox"/> A signed report from the professional who completed the repairs or alterations, or <input type="checkbox"/> Paid invoice(s) for the repairs or alterations ■ Be signed/attested by the Borrower ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages or CHOICERenovation Mortgages

(c) Appraisal reports or PDRs requiring an inspection

For appraisal reports that are subject to an inspection of the property or PDRs when the Seller's review determines an inspection is required, a licensed professional or other person trained in the particular field of concern (e.g., structural engineer, plumber, pest inspector) must perform the inspection of the property.

The Seller must obtain either:

- An inspection report stating that repairs are not required (i.e., Seller reviews to ensure property does not have deficiencies consistent with a C5 or C6 condition rating), or

- An inspection report and invoice(s) stating that the required repairs have been completed and the issues have been corrected

The following table describes the requirements for reporting inspection results for appraisal reports or PDRs requiring inspections:

Reporting inspection results for appraisal reports or PDRs requiring an inspection	
Acceptable documentation	Documentation requirements
Inspection report or invoice(s), as applicable	<p>The documentation must:</p> <ul style="list-style-type: none"> ■ Be prepared by the professional who performed the inspection or completed the repair ■ Provide the professional's license number, if applicable ■ Be dated before the Settlement Date ■ Be retained in the Mortgage file

5605.8: Requirements for properties subject to completion or inspection (Future effective 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of Section 5605.9.

This section contains requirements related to:

- [Verifying completion for new or proposed construction](#)
- [Verifying completion for an existing property](#)
- [Appraisal reports or PDRs requiring an inspection](#)

(a) Verifying completion for new or proposed construction

For appraisal reports of new or proposed construction that are subject to completion per plans and specifications, Freddie Mac will accept one of the following to verify completion of the subject property:

- Form 442, Appraisal Update and/or Completion Report, prepared by an appraiser documenting the property has been completed in accordance with the plans and specifications
 - ❑ Freddie Mac will accept a completion report prepared by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the completion report
 - ❑ The completion report may be based on an on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion
- Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form, signed by the Borrower and the builder confirming the subject property has been completed in accordance with the plans and specifications
 - ❑ By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the subject property has been completed in accordance with the plans and specifications and there were no material or significant changes to the plans and specifications after completion of the appraisal report
 - ❑ If the Seller is unable to obtain Form 400 signed by both the Borrower and builder, then Form 442 completed by the appraiser is required

The following table describes the completion verification requirements for appraisal reports subject to completion per plans and specifications:

Verifying completion for appraisal reports subject to completion per plans and specifications	
Form	Requirements for verifying completion
Form 442	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify completion of construction. <p>If the property was incomplete at the time of inspection, additional photographs may be required. (See Section 5604.2(f) for photograph requirements.)</p> <ul style="list-style-type: none"> ■ Be dated before the Settlement Date, unless the requirements for incomplete improvements (Section 5601.3) or GreenCHOICE Mortgages® (Section 4606.3(a)) have been met ■ Be signed by the appraiser ■ Be retained in the Mortgage file
Form 400	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify completion of construction. <p>If the property was incomplete at the time of inspection, additional photographs may be required. (See Section 5604.2(f) for photograph requirements.)</p> <ul style="list-style-type: none"> ■ Be dated before the Settlement Date, unless the requirements for incomplete improvements (Section 5601.3) have been met ■ Be signed by the Borrower and the builder ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages

(b) Verifying completion for an existing property

(i) Appraisal reports subject to repairs or alterations

For appraisal reports of existing properties that are subject to repairs or alterations, Freddie Mac will accept one of the following to verify completion of the subject property:

- Form 442, prepared by an appraiser documenting the repairs or alterations identified in the appraisal report have been completed
 - ❑ Freddie Mac will accept a completion report prepared by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the completion report
 - ❑ The appraiser may complete Form 442 by performing an on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion.

Virtual inspections using technology must not be used to verify completion for CHOICERenovation[®] Mortgages.

- Form 400 or other substantially similar form, signed by the Borrower confirming the required repairs or alterations identified in the appraisal report have been completed.

By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the repairs or alterations have been completed.

- PDR Completion Report, prepared by a property data collector, attesting the repairs or alterations identified in the appraisal report have been completed
 - ❑ The property data collector must complete the PDR Completion Report by performing an on-site visual observation of the subject property to verify completion
 - ❑ The PDR Completion Report may be used only with a hybrid appraisal.

The following table describes the completion verification requirements for appraisal reports subject to repairs or alterations:

Verification of completion for an existing property – appraisal reports	
Form	Requirements for verifying completion
Form 442	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date unless requirements for GreenCHOICE Mortgages or CHOICERenovation Mortgages, as described in Sections 4606.3(a) and 4607.8, respectively, have been met ■ Be signed/attested by the appraiser ■ Be retained in the Mortgage file
Form 400 or other substantially similar form	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Include either: <ul style="list-style-type: none"> <input type="checkbox"/> A signed report from the professional that completed the work, or <input type="checkbox"/> Paid invoice(s) for the repairs or alterations ■ Be signed/attested by the Borrower(s) ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages or CHOICERenovation Mortgages

<p>PDR Completion Report (May be used only with a hybrid appraisal report)</p>	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Contain the data points and certifications in the PDR Completion Report data set (Exhibit 39, Completion Report Data Set) ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Be signed/attested by the property data collector ■ Be retained in the Mortgage file
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(ii) ACE+ PDR when the Seller's review of the PDR determines required repairs or alterations

For ACE+ PDR when the Seller's review of the PDR determines there are required repairs or alterations, Freddie Mac will accept one of the following to verify completion:

- PDR Completion Report, prepared by a property data collector, attesting that the subject property has been completed in compliance with the required repairs or alterations.

The property data collector must complete the PDR Completion Report by performing an on-site visual observation of the subject property to verify completion.

- Form 400, or other substantially similar form, signed by the Borrower confirming completion of repairs or alterations identified in the PDR.

By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the repairs or alterations have been completed.

The following table describes the completion verification requirements for PDRs when the Seller's review determines repairs or alterations:

Verification of completion for PDRs when the Seller's review determines repairs or alterations	
Form	Requirements for verifying completion
PDR Completion Report	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Contain the data points and certifications in the PDR Completion Report data set (Exhibit 39) ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Be signed/attested by the property data collector ■ Be retained in the Mortgage file
Form 400 or other substantially similar form	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Include either: <ul style="list-style-type: none"> <input type="checkbox"/> A signed report from the professional who completed the repairs or alterations, or <input type="checkbox"/> Paid invoice(s) for the repairs or alterations ■ Be signed/attested by the Borrower ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages or CHOICERenovation Mortgages

(c) Appraisal reports or PDRs requiring an inspection

For appraisal reports that are subject to an inspection of the property or PDRs when the Seller's review determines an inspection is required, a licensed professional or other person trained in the particular field of concern (e.g., structural engineer, plumber, pest inspector) must perform the inspection of the property.

The Seller must obtain either:

- An inspection report stating that repairs are not required (i.e., Seller reviews to ensure property does not have deficiencies consistent with a C5 or C6 condition rating), or

- An inspection report and invoice(s) stating that the required repairs have been completed and the issues have been corrected

The following table describes the requirements for reporting inspection results for appraisal reports or PDRs requiring inspections:

Reporting inspection results for appraisal reports or PDRs requiring an inspection	
Acceptable documentation	Documentation requirements
Inspection report or invoice(s), as applicable	<p>The documentation must:</p> <ul style="list-style-type: none"> ■ Be prepared by the professional who performed the inspection or completed the repair ■ Provide the professional's license number, if applicable ■ Be dated before the Settlement Date ■ Be retained in the Mortgage file

5605.8: Cost and income approaches, and reconciliation of market value (Future effective 11/02/26)

This section contains requirements related to:

- [Cost approach](#)
- [Income approach](#)
- [Reconciliation of market value](#)

The appraisal report must include any approach to value that is necessary for credible results, even if the Seller did not request it. The Seller may request the appraiser to develop and report the cost approach or the income approach, even if not required for the transaction.

(a) Cost approach

The cost approach is required for appraisals of Manufactured Homes, but no other property type. (See Section 5703.9(e) for Manufactured Homes requirements.)

In Market Areas with unique property styles, a lack of comparable sales, or the presence of unique features (such as outbuildings), the cost approach can provide support for adjustments made in the sales comparison approach.

The cost approach may be appropriate when appraising properties that are:

- New or proposed construction
- Under renovation
- Unique because of property features (e.g., outbuildings, stables, pole-barns, shops)
- Unique because of their styles or construction methods (e.g., barn conversions (“barndominiums”), “shouses” (living-space and work/storage combinations), berm homes, log homes, or geodesic dome dwellings), or
- Not typical for the Market Area or have functional obsolescence

Appraisal reports that rely solely on the cost approach for the opinion of market value are unacceptable, except for appraisals completed for a HeritageOne® Mortgage. For special appraisal requirements related HeritageOne Mortgages, see Section 4504.9.

Freddie Mac does not require an estimate of remaining economic life.

(b) Income approach

The income approach is required for appraisals of 2- to 4-unit properties.

Appraisals that rely solely on the income approach for the opinion of market value are unacceptable.

(c) Reconciliation of market value

The data, valuation approaches and information presented in the appraisal report must justify and support the appraiser’s opinion of market value. The appraisal report must contain an explanation of how the final value conclusion was determined, and the rationale must be consistent with the comments, conclusions and assumptions stated throughout the appraisal report.

The reconciliation must contain any conditions of the appraisal on which the final opinion of market value is based.

If the subject transaction involves sales or financing concessions, the appraiser's opinion of market value must reflect the value of the subject property without the concessions.

5605.9: Special property appraisal requirements (06/04/25)

This section contains appraisal requirements related to:

- [2- to 4-unit properties](#)
- [Condominium Units](#)
- [Manufactured Homes](#)
- [Leasehold estates](#)
- [Cooperative Share Loans](#)

(a) 2- to 4-unit properties

The following requirements and guidelines apply to completing Form 72, Small Residential Income Property Appraisal Report, for 2- to 4-unit properties.

(i) Comparable rent data for 2- to 4-unit properties

At least three comparable rentals must be analyzed in the “comparable rental data” section. The comparable rentals must:

- Have current rental information
- Be units similar to, and located near, the subject property

The appraisal report should state that the units and properties selected as comparable rentals are comparable to the subject property (both the units and the overall property) and should accurately represent the rental market for the subject property unless otherwise stated in the report.

(ii) Rent schedule for 2- to 4-unit properties

The rent schedule section contains the subject property's current actual rents and the estimated market rents. The estimated market rents for the subject property must be

supported in the appraisal report and must be consistent with the data presented throughout the report.

(iii) Sales comparison approach for 2- to 4-unit properties

The appraisal report must contain the unadjusted units of comparison for each comparable sale.

The units of comparison are:

- Sales price per square foot of gross building area
- Sales price per unit
- Sales price per room
- Gross rent multiplier

For purchase transactions, the appraisal report must also contain the units of comparison for the subject property.

In the comment area of the sales comparison analysis, the appraisal report must include a reconciliation of the adjusted sales prices and the unadjusted units of comparison, as appropriate, in the same way properties are sold in the Market Area. The appraisal report must include commentary that describes the factors that are deemed most relevant by typical investors or purchasers in the Market Area when purchasing a similar property.

(b) Condominium Units

See Section 5701.8(a) for additional appraisal requirements for units in Condominium Projects.

(c) Manufactured Homes

See Section 5703.9 for additional appraisal requirements for Manufactured Homes.

(d) Leasehold estates

See Section 5704.2 for additional appraisal requirements for leasehold estates.

(e) Cooperative Share Loans

See Chapter 5705 for additional appraisal requirements for Cooperative Units.

5605.9: Special property appraisal requirements (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of Section 5605.10.

This section contains appraisal requirements related to:

- [2- to 4-unit properties](#)
- [Condominium Units](#)
- [Manufactured Homes](#)
- [Leasehold estates](#)
- [Cooperative Share Loans](#)

(a) 2- to 4-unit properties

The following requirements and guidelines apply to completing Form 72, Small Residential Income Property Appraisal Report, for 2- to 4-unit properties.

(i) Comparable rent data for 2- to 4-unit properties

At least three comparable rentals must be analyzed in the “comparable rental data” section. The comparable rentals must:

- Have current rental information
- Be units similar to, and located near, the subject property

The appraisal report should state that the units and properties selected as comparable rentals are comparable to the subject property (both the units and the overall property) and should accurately represent the rental market for the subject property unless otherwise stated in the report.

(ii) Rent schedule for 2- to 4-unit properties

The rent schedule section contains the subject property’s current actual rents and the estimated market rents. The estimated market rents for the subject property must be supported in the appraisal report and must be consistent with the data presented throughout the report.

(iii) Sales comparison approach for 2- to 4-unit properties

The appraisal report must contain the unadjusted units of comparison for each comparable sale.

The units of comparison are:

- Sales price per square foot of gross building area
- Sales price per unit
- Sales price per room
- Gross rent multiplier

For purchase transactions, the appraisal report must also contain the units of comparison for the subject property.

In the comment area of the sales comparison analysis, the appraisal report must include a reconciliation of the adjusted sales prices and the unadjusted units of comparison, as appropriate, in the same way properties are sold in the Market Area. The appraisal report must include commentary that describes the factors that are deemed most relevant by typical investors or purchasers in the Market Area when purchasing a similar property.

(b) Condominium Units

See Section 5701.8(a) for additional appraisal requirements for units in Condominium Projects.

(c) Manufactured Homes

See Section 5703.9 for additional appraisal requirements for Manufactured Homes.

(d) Leasehold estates

See Section 5704.2 for additional appraisal requirements for leasehold estates.

(e) Cooperative Share Loans

See Chapter 5705 for additional appraisal requirements for Cooperative Units.

5605.9: Requirements for properties subject to completion or inspection (Future effective date 11/02/26)

This section contains requirements related to:

- [Verifying completion for new or proposed construction](#)
- [Verifying completion for an existing property](#)
- [Appraisal reports or PDRs requiring an inspection](#)

(a) Verifying completion for new or proposed construction

For appraisal reports of new or proposed construction that are subject to completion per plans and specifications, Freddie Mac will accept one of the following to verify completion of the subject property:

- A UAD Completion Report, prepared by an appraiser documenting the property has been completed in accordance with the plans and specifications:
 - ❑ Freddie Mac will accept a completion report prepared by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the completion report
 - ❑ The completion report may be based on an on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion
- Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form, signed by the Borrower and the builder confirming the subject property has been completed in accordance with the plans and specifications:
 - ❑ By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the subject property has been completed in accordance with the plans and specifications and there were no material or significant changes to the plans and specifications after completion of the appraisal report
 - ❑ If the Seller is unable to obtain Form 400 signed by both the Borrower and builder, then a UAD Completion Report completed by the appraiser is required

The following table describes the completion verification requirements for appraisal reports subject to completion per plans and specifications:

Verifying completion for appraisal reports subject to completion per plans and specifications	
Report or form	Requirements for verifying completion
UAD Completion Report	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Be completed in accordance with the Completion Report Reference Guide (Appendix F-3) ■ Include photographs that clearly identify completion of construction. If the subject property was incomplete at the time of inspection, additional photographs may be required (See Section 5604.2(g) for photograph requirements.) ■ Be dated before the Settlement Date, unless the requirements for incomplete improvements (Section 5601.3) or GreenCHOICE Mortgages® (Section 4606.3(a)) have been met ■ Be signed by the appraiser ■ Be retained in the Mortgage file
Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify completion of construction If the subject property was incomplete at the time of inspection, additional photographs may be required (See Section 5604.2(g) for photograph requirements.) ■ Be dated before the Settlement Date, unless the requirements for incomplete improvements (Section 5601.3) have been met ■ Be signed by the Borrower and the builder ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages

(b) Verifying completion for an existing property

(i) Appraisal reports subject to repairs or alterations

For appraisal reports of existing properties that are subject to repairs or alterations, Freddie Mac will accept one of the following to verify completion:

- A UAD Completion Report prepared by an appraiser documenting the repairs or alterations identified in the appraisal report have been completed:
 - ❑ Freddie Mac will accept a completion report prepared by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the completion report
 - ❑ The appraiser may complete a UAD Completion Report by performing an on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion.

Virtual inspections using technology must not be used to verify completion for CHOICERenovation Mortgages.

- Form 400 or other substantially similar form, signed by the Borrower confirming the required repairs or alterations identified in the appraisal report have been completed.

By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the repairs or alterations have been completed.

- PDR Completion Report, prepared by a property data collector, attesting the repairs or alterations identified in the appraisal report have been completed
 - ❑ The property data collector must complete the PDR Completion Report by performing an on-site visual observation of the subject property to verify completion
 - ❑ The PDR Completion Report may be used only with a Hybrid Appraisal Report

The following table describes the completion verification requirements for appraisal reports subject to repairs or alterations:

Verifying completion for an existing property – appraisal reports	
Report or form	Requirements for verifying completion
UAD Completion Report	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Be completed in accordance with the Completion Report Reference Guide (Appendix F-3) ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date unless requirements for GreenCHOICE Mortgages or CHOICERenovation® Mortgages, as described in Sections 4606.3(a) and 4607.8, respectively, have been met. ■ Be signed/attested by the appraiser ■ Be retained in the Mortgage file
Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Include either: <ul style="list-style-type: none"> <input type="checkbox"/> A signed report from the professional that completed the work, or <input type="checkbox"/> Paid invoice(s) for the repairs or alterations ■ Be signed/attested by the Borrower(s) ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages or CHOICERenovation Mortgages

<p>PDR Completion Report (May be used only with a Hybrid Appraisal Report)</p>	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Contain the data points and certifications in the PDR Completion Report data set (Exhibit 39, Completion Report Data Set) ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Be signed/attested by the property data collector ■ Be retained in the Mortgage file
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(ii) ACE+ PDR when the Seller's review of the PDR determines required repairs or alterations

For ACE+ PDR when the Seller's review of the PDR determines there are required repairs or alterations, Freddie Mac will accept one of the following to verify completion:

- PDR Completion Report, prepared by a property data collector, attesting that the subject property has been completed in compliance with the required repairs or alterations.

The property data collector must complete the PDR Completion Report by performing an on-site visual observation of the subject property to verify completion.

- Form 400, or other substantially similar form, signed by the Borrower confirming completion of repairs or alterations identified in the PDR.

By delivering the signed completion form to Freddie Mac, the Seller represents and warrants the repairs or alterations have been completed.

The following table describes the completion verification requirements for PDRs when the Seller's review determines repairs or alterations:

Verifying completion for PDRs when the Seller's review determines repairs or alterations	
Report or form	Requirements for verifying completion
PDR Completion Report	<p>The completion report must:</p> <ul style="list-style-type: none"> ■ Contain the data points and certifications in the PDR Completion Report data set (Exhibit 39) ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Be signed/attested by the property data collector ■ Be retained in the Mortgage file
Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form	<p>The completion form must:</p> <ul style="list-style-type: none"> ■ Include photographs that clearly identify the completion of repairs or alterations ■ Be dated before the Settlement Date ■ Include either: <ul style="list-style-type: none"> <input type="checkbox"/> A signed report from the professional who completed the repairs or alterations, or <input type="checkbox"/> Paid invoice(s) for the repairs or alterations ■ Be signed/attested by the Borrower ■ Be retained in the Mortgage file ■ Not be used for GreenCHOICE Mortgages or CHOICERenovation Mortgages

(c) Appraisal reports or PDRs requiring an inspection

For appraisal reports that are subject to an inspection of the property or PDRs when the Seller's review determines an inspection is required, a licensed professional or other person trained in the particular field of concern (e.g., structural engineer, plumber, pest inspector) must perform the inspection of the property.

The Seller must obtain either:

- An inspection report stating that repairs are not required (i.e., Seller reviews to ensure property does not have deficiencies consistent with a C5 or C6 condition rating), or

- An inspection report and invoice(s) stating that the required repairs have been completed and the issues have been corrected

The following table describes the requirements for reporting inspection results for appraisal reports or PDRs requiring inspections:

Reporting inspection results for appraisal reports or PDRs requiring an inspection	
Acceptable documentation	Documentation requirements
Inspection report or invoice(s), as applicable	<p>The documentation must:</p> <ul style="list-style-type: none"> ■ Be prepared by the professional who performed the inspection or completed the repair ■ Provide the professional's license number, if applicable ■ Be dated before the Settlement Date ■ Be retained in the Mortgage file

5605.10: Special property appraisal requirements (Future effective date 11/02/26)

This section contains requirements related to:

- [2- to 4-unit properties](#)
- [Condominium Units](#)
- [Manufactured Homes](#)
- [Leasehold estates](#)
- [Cooperative Share Loans](#)

(a) 2- to 4-unit properties

The following requirements and guidelines apply to completing a Traditional Appraisal Report for 2- to 4-unit properties.

(i) Comparable rent data for 2- to 4-unit properties

At least three comparable rentals must be analyzed in the “comparable rental analysis” section. The comparable rentals must:

- Have current rental information
- Be units similar to the subject property

(ii) Rent schedule for 2- to 4-unit properties

The rent schedule section contains the subject property’s current actual rents and the estimated market rents. The estimated market rents for the subject property must be supported in the appraisal report and must be consistent with the data presented throughout the report.

(b) Condominium Units

See Section 5701.8(a) for additional appraisal requirements for units in Condominium Projects.

(c) Manufactured Homes

See Section 5703.9 for additional appraisal requirements for Manufactured Homes.

(d) Leasehold estates

See Section 5704.2 for additional appraisal requirements for leasehold estates.

(e) Cooperative Share Loans

See Chapter 5705 for additional appraisal requirements for Cooperative Units.