

INSTRUCTIONS

LIVINGROOM, KITCHEN, BATHROOM) AND ANY DEFERRED MAINTENANCE.

APPRAISALS OF PROPERTIES LOCATED IN DECLINING MARKETS

- At least two sales must have closed within 90 days prior to the appraisal date (if recent comparable sales are not available, the appraiser must provide a detailed explanation)
- The comparable sales that closed within 90 days prior to the appraisal date must be “as similar as possible to the subject”
- In addition to three sales comparables, two active listing or pending sale comparables are required in comparable position 4-6 or higher
- The listing and/or pending sale comparables must have typical marketing times for the area and must be similar in size and sales price

FLAGSTART VENDOR INSTRUCTIONS

INTERIOR PHOTOS ARE REQUIRED !!!!

At a minimum MUST include photos of the KITCHEN, LIVING ROOM/FAMILY ROOM AND BATHROOM,

SPECIFIC CUSTOMER REQUIREMENTS FOR SERVICING THIS ORDER (varies by order and customer):

- For Appraisal report purposes only, the lender/client must appear as:

Flagstar Bank FSB
5151 Corporate Drive
Troy, MI, 48098

BUT ALL APPRAISAL REPORTS, INVOICES, CORRESPONDENCES,
AND COMMUNICATIONS SHOULD BE DIRECTED TO AREA ONLY.

***** Notice - there are 26 customer specific underwriting requirements that must be

included when servicing this order:

1) LICENSED / CERTIFIED APPRAISERS ONLY, who are physically located in CLOSE PROXIMITY to

the subject. Properties with an opinion of value OVER 1 MILLION require a Certified Residential Appraiser to complete the appraisal.

2) Appraisals should be completed "as is" unless otherwise specified on the order.

3) INTERIOR PHOTOS MUST be provided with all interior appraisal orders (3 rooms minimum)

and MUST include photos of the kitchen, living room/family room and bathroom. Interior

appraisals must include photos of any amenities and additions (both legal and illegal)

and photos of deferred maintenance and photos of functional, external, safety & health

issues. Additional interior photos are always welcomed. If completing a multi-family

appraisal interior photos, listed above, are required for each unit.

4) Appraiser must provide additional photos of any amenity (i.e. view, pond, lake,

storage building, accessory unit, etc.) that contributes to value

5) A copy of the appraiser's license is required with all assignments

6) GUIDELINES FOR APPRAISALS IN A DECLINING MARKET:

a) At least two sales must have closed within 90 days prior to the appraisal date (if

recent comparable sales are not available, the appraiser must provide a detailed

explanation)

b) The comparable sales that closed within 90 days prior to the appraisal date must be as

similar as possible to the subject

c) In addition to three sales comparables, two active listing or pending sale comparables

are required in comparable position 4-6 or higher

d) The listing and/or pending sale comparables must have typical marketing times for the

area and must be similar in characteristics

7) If the subject is HEATED BY OIL and has an oil tank on site the appraiser needs to state if any signs of leakage were observed, if heat type is common to the area, and if heat type has any adverse effect on the marketability.

8) If the purpose of the appraisal is REO origination (purchase of bank owned property) the appraiser needs to verify in the report that the utilities are on and all systems fully operable at the time of inspection. If water system has been winterized, the appraiser will need to state as such. If the water system has been winterized, water service will not be required to be turned on. If the water system has not been winterized, all appraisals should be completed subject-to water turned on and inspected to be in good working condition. Electricity and gas must always be turned on and observed to be working. If electricity and gas not turned on all appraisals should be completed subject-to utilities being turned on and operable.

9) If purpose of the appraisal is a purchase the sales contract MUST be analyzed by the appraiser and the contract section on appraisal completed. Appraiser should consider any change in market conditions from the date the sales contract was signed to the effective date of the appraisal.

10) Cost approach is required on all interior appraisals. When completing the cost approach Flagstar requires replacement cost to be used.

11) If the opinion of value is LOWER THAN the PREDOMINANT VALUE listed in the single-family housing price range Flagstar will require a comment indicating if the subject is considered to be an under improvement. If the opinion of value is HIGHER THAN the PREDOMINANT VALUE listed in the single-family housing price range this lender will require a comment indicating if the subject is considered to be an over improvement.

12) DO NOT, UNDER ANY CIRCUMSTANCES, DISCUSS VALUES or APPRAISAL FEES WITH THE BORROWER

or the LENDER

13) Flagstar has additional requirements regarding the LISTING HISTORY OF THE SUBJECT,
WHICH INCLUDES:

13A) If on page 1 of the 1004 the "Yes" box is checked indicating the subject has been listed for sale need to indicate when the subject was listed, the original listing price, any changes in the listing price, and if applicable when the listing expired, withdrew, went to pending status or an offer was accepted.

13B) If property is currently listed or has been listed for sale in the past 12 months (i.e. MLS, FSBO) the appraiser must provide a copy of the MLS listing or FSBO brochure (if available).

13C) At a minimum the listing history of the subject needs to be verified by MLS

14) If the subject is found to be in LESS THAN AVERAGE CONDITION, please contact us prior to completing the appraisal.

15) For new construction and construction-to-permanent properties, Flagstar will require four comparable sales. Of those four sales, only one may be from the same builder/developer as the subject. Appraisers may use an additional sale from the subject project if it is a resale that did not involve the subject's builder/developer. The remaining required sales should be taken from nearby competing areas, and must not be sales involving the subject's builder/developer. If new construction sales are used the appraiser must identify the name of the builder/developer.

16) Modular houses must be identified as such in the Improvements Comment section of the appraisal form and the appraiser must use at least one similar factory built house for comparison, more if available.

17) Unique features such as accessory units, in-law suites, indoor pools, indoor sport courts, etc. must be segmented from the GLA of the main house and adjusted for as a

single line item in the Sales Comparison Approach. Including such areas in the GLA is not acceptable appraisal practice. Any report doing so will be rejected and returned to the appraiser for corrections.

18) Sketch of subject improvement must include interior room placement, exterior dimensions and area calculations.

19) Condominium appraisals may include all sales from the subject project if the project is no longer under the builder/developer control and the sales did not involve the builder/developer. New construction and conversion condominium may include only one builder/developer sale. All other sale comparables must be taken from competing projects.

20) Flagstar recognizes that there are 2 types of REO sales in today's market. Traditional REO is a property with extensive deferred maintenance, typically needing costly repair and sells at bottom of the market. The other type of REO is an economic REO. This type of property is in average or better condition, needs no costly repairs and competes directly with similar owner occupied houses. If the appraiser recognizes and discusses in the Neighborhood Section of the appraisal that economic REO sales are common in the subject marketplace then the appraiser can use economic REO sales for comparison to houses of average or better condition. For every economic REO sale used in the appraisal, lender expects appraiser to use an owner occupied sale for comparison. If there is a market preference between economic REO sales and owner occupied sales appraiser must adjust accordingly. If appraiser is using economic REO sale in the appraisal this needs to be identified.

21) If completing a 1025 appraisal Flagstar requires PHOTOS of both the comparable RENTALS and comparable sales. In addition both the rentals and sales need to be shown on the location map

22) If subject is a single-family rental a 1007/216 may be required. Contact us to verify if additional appraisal forms are required. If required the appraisal will need to include photos of the comparable rentals and the rentals will need to appear on location map.

23) If FHA requirements include:

- a) An FHA approved appraiser must complete appraisal
- b) The FHA case # must be reflected on each page of the appraisal in the upper right-hand corner
- c) Following comment must appear regarding intended user, "The intended user of this appraisal is Flagstar Bank and HUD/FHA."
- d) All appraisals must indicate the effective age and the estimated remaining economic life of the subject
- e) Exterior subject photos must show all 4 sides
- f) Additionally, All other Flagstar requirements will apply

24) If Manufactured Home requirements include:

- a) The appraiser must state the subject is TAXED as REAL PROPERTY. If subject is new or proposed construction indicate if the dwelling will be taxed as real property.
- b) If the purpose of the appraisal is for a PURCHASE the appraiser must review a copy of the purchase agreement. If the manufactured home and land are being purchased separately, the purchase agreement for both must be reviewed. If the manufactured home is new the appraiser must be provided with a copy of the manufacturer's invoice.
- c) The appraiser must include in the appraisal report the manufacture's name, the model name, the year of manufacture and the serial number for the subject. If the HUD Data Plate/Compliance Certificate is not located on the interior of the home and the HUD Certification Label is not attached to each section on the exterior of the home please

contact us prior to completing the appraisal.

d) The appraiser must address both the marketability and comparability of a manufactured home by using comparable sales of similar manufactured homes. If at least three comparable sales of manufactured homes are not available, the appraiser may use either site-built housing or a different type of factory-built housing as one of the comparable sales. The appraiser MUST provide a minimum of two comparable sales of similar manufactured homes, explaining why site-built or a different type of factory-built housing is being used for one comparable sale and make (and support) appropriate adjustments in the appraisal report. If unable to provide two sales of manufactured housing please contact us prior to completing the appraisal.

e) Photos of the HUD Data Plate/Compliance Certificate (from the interior of the home) and the HUD Certification Labels (from the exterior of the home) must be provided

F) Additionally, All other Flagstar requirements will apply

25) If rural development, requirements include:

a) An FHA approved appraiser must complete appraisal

b) Flagstar needs the following comment to appear on page 1 of the appraisal in the improvement section, Subject meets minimum property standards of FHA/ HUD and conforms to HUD handbook 4905.1 AND 4150.2.

c) Two-page Rural Development Existing Home Certificate needs to be completed and merged into appraisal. If copy of this form has not been supplied to you contact us prior to completion of the appraisal.

26) If field review, requirements include:

a) If field review appraiser agrees with opinion of value on appraisal under review 3 additional comparables are required that support value. Appraiser will need to provide photos of these 3 sales and show these sales on the location map. In addition need to

provide photos of all sales used in the appraisal under review and show those sales on the location map. Need to include front and street scene photo of the subject and show subject on location map.

b) If field review appraiser disagrees with opinion of value follow instructions on page 2 of the field review. Will need to provide photos of the comparables used in the appraisal under review and show those sales on the location map. Will need to provide photos of sales used in the field review and show those sales on the location map. Need to include front and street scene photo of the subject and show subject on location map.

ADDITIONAL AREA EXPECTATIONS (consistent with every order placed):

- As we are your customer, we strongly urge you not to discuss agreed upon fees, values, or other specific information directly with the borrower, the lender, or anyone else outside of AREA. If you are asked specifically or contacted directly, please refer them to us.
- Contact with the borrower must be made within 24 hours of order receipt (unless the order is for an exterior only)
- The actual inspection of the property must take place within 48 hours of order receipt
- The completed report must be returned to us electronically within 48 hours of the actual inspection
- Any and all delays must be communicated to your ACI365.com Account immediately, especially if the above indicated turnaround time will be exceeded
- The Lender/Client on the report is our customer. It is never AREA.