



**CITADEL**  
SERVICING CORPORATION

**Collateral Analysis:  
ODF Multifamily,  
Mixed-Use & Commercial  
Properties**

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## 1.0 Applicable Properties

- 1.1 Overview** Information in this document applies to the Citadel Servicing Corporation (CSC) Outside of Dodd-Frank (ODF) program for 5+ units, mixed-use commercial, residential-type office conversions (house converted to a commercial office, but functionally intact), and other multifamily and mixed-use sites. Ordering appraisals through an AMC is not required.
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- 1.2 Multifamily Residential Properties** Multifamily residential is a classification of housing where multiple housing units for residential inhabitants are contained within one building or several buildings within a complex. For CSC and other mortgage lenders, multifamily means 5 or more units.
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- 1.3 Mixed-use Residential/Commercial Properties** Mixed-use residential/commercial is a classification of property that blends residential units with commercial space. An example of this property type is residential units above commercial retail units, office space, or perhaps a restaurant.
- There are also properties mixed-use residential/industrial and mixed-use residential/rural properties, which are not under CSC's purview.
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- 1.4 Other Commercial Influence Properties** CSC accepts other Outside of Dodd-Frank (ODF) properties such as residential converted to commercial use (such as a congregate care facility) or commercial converted to residential mixed-use (such as a converted warehouse with residential and office space).

## 2.0 Appraisal Report Forms

- 2.1 2-4 Units** [Fannie Mae Form 1025/Freddie Mac Form 72](#) is used to evaluate 2-4 Unit properties, including those in planned unit developments (PUDs). For 5+ Units use Freddie Mac Form 71A or 71B as determined by transaction (loan amount) value or a Narrative Report.
- Note: If transaction value is  $\geq$  \$2,000,000 a Narrative Report is required.
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- 2.2 5+ Units (Multifamily)** [Freddie Mac Form 71A](#) is used to evaluate 5+ Unit multifamily properties. Note that racial composition of a neighborhood is not considered a relevant factor and must not be considered in the appraisal. ([Form 71B](#) may be used for properties with a transaction value less than or equal to \$750,000; however, Freddie Mac has taken the form out of circulation).
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- 2.3 Mixed-use Residential < \$2 Million** General Purpose Commercial Forms, such as those created by [Appraisal Institute](#) and made available through [ACI](#), [a la mode](#), [Bradford Technologies](#), [HomePuter](#)<sup>®</sup>, and [SFREP](#) are used for mixed use residential/commercial properties with a transaction value less than \$2,000,000.

## 2.0 Appraisal Report Forms (Continued)

### 2.4 All Loan Amounts ≥ \$2 Million

A commercial Narrative Report (similar to this [Example Narrative](#)) is used to evaluate properties with a transaction value greater than or equal to \$2,000,000. Narrative Reports may also be used in place of any of the above.

## 3.0 Income Producing Properties

### 3.1 Exclusions

CSC does not lend on mixed-use properties or commercial properties that have **dry cleaning services** as part of their operations (no exceptions).

If a property being evaluated is found to be utilizing **toxic chemicals** as part of its business/operations, appraiser to stop the property review and address issues/concerns with CSC point of contact for the assignment. CSC will determine whether the appraiser is to proceed with the assignment.

### 3.2 Rent Roll

Appraiser must obtain the current owner’s certified rent roll (or pro forma if proposed or incomplete).

### 3.3 Income & Expense

Appraiser must obtain the current owner’s certified income and expense statement (or pro forma income and expense statement at a minimum).

## 4.0 CSC Appraisal Standards

### 4.1 Uniform Standards of Professional Appraisal Practice (USPAP)

The Uniform Standards of Professional Appraisal Practice (USPAP) are the generally recognized ethical and performance standards for the U.S. appraisal profession, adopted by Congress in 1989. USPAP is updated every two years so appraisers have information needed to deliver unbiased and thoughtful opinions of value.

**Some applicable USPAP standards include:**

Appraisal Function	Summarized Appraiser’s Standard	Applicable Standards*
Evaluations for Lending	A lender needs an evaluation providing an opinion of market value to ensure a loan is adequately collateralized.	1, 2, and Advisory Opinion 13
Appraisals for Lending	A lender needs an appraisal providing an opinion of value to ensure a loan is adequately collateralized.	1, 2, 9, & 10
Appraisal Review	A client needs to know whether or not an appraisal is credible.	3 & 4

\* From 2018/2019 USPAP Guide, available online at:  
[https://nrpab-appraiserce.ne.gov/appraiser/public/USPAP\\_current.pdf](https://nrpab-appraiserce.ne.gov/appraiser/public/USPAP_current.pdf)

## 4.0 Appraisal Standards (Continued)

### 4.2 Appraisal Quality

All appraisal reports/narratives must be USPAP compliant, and must offer the following quality elements:

- Lead the reader to the Appraiser’s situation and thought processes in the appraisal report.
- Provide Market Value of the subject property (an estimate of the “As Is” Market Value).
- Include the Cost Approach to valuation utilizing a current 3<sup>rd</sup> party data source and rate the quality of that data source.
- Include the Income Approach to valuation.
- Include the Date of Value/Inspection.

## 5.0 Appraiser Commentary

### 5.1 Appraiser Comments

The Appraiser’s comments must reflect the reconciliation of the adjusted or indicated values for comparable sales (“comps”) and identify which elements were given the most weight when arriving at the appraised value of the subject property.

Any additional features, necessary repairs and/or modernizations, or physical, functional, or external inadequacies must be reported in the comments section(s) of the appraisal report.

### 5.2 Terminology

The Dictionary of Real Estate Appraisal (6<sup>th</sup> Edition) provides definitions of commercial real estate terms and is available on The Appraisal Institute’s site. <https://www.appraisal institute.org>

### 5.3 Environmental Hazards

The Appraiser must comment on any effects of environmental hazards discovered on or near the site, the impact on marketability or value, and an estimate of the scope and/or cost to cure.

### 5.4 Additions or Alterations

If additions or alterations were made, the Appraiser must indicate whether additions/alterations comply with legal use code. If the appraisal indicates that additions or alterations were made without permits, the comment section must contain comments on the quality and appearance of the work.

### 5.5 Environmental &/or Energy Issues

Appraiser must indicate the existence of any adverse environmental conditions or the presence of special energy-efficient items on the property.

## **5.0 Appraiser Commentary (Continued)**

### **5.6 Health & Safety Issues**

- a. Health and safety issues may include, but are not limited to:
  - Broken window(s)
  - Empty pool
  - Security bars not equipped with safety release latch
  - Upper level door without a balcony
  - Broken steps
  - Missing handrails on steps
  - Stairs consisting of four (4) or more levels
  - Major electrical and/or plumbing repairs
- b. Carbon monoxide detectors and smoke detectors: Appraiser must investigate whether these are required by local regulators (State, County, &/or City ordinances) and indicate if they are (or aren't) in place as required within the property.
- c. Security wrought iron bars:
  - 1) Appraiser must provide commentary regarding interior quick-release safety latches; all must comply with local health and safety code ordinances.
  - 2) Appraiser must comment whether or not the security bars have safety release latches.
  - 3) A property that has a minimum of three (3) unobstructed exits will not require safety latches on the security bars, unless required by local municipality; Appraiser to ensure security wrought iron bars are to code per local municipality.
- d. Water heaters: In West Coast states, water heaters must be double-straped per local health and safety code ordinances.

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### **5.7 Deferred Maintenance – General**

- a. The Appraiser must describe any deferred maintenance in detail, including the nature of repairs required and cost to cure.
- b. Appraiser's comments must address any threat to an occupant's health, safety, and habitability.

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### **5.8 Deferred Maintenance – Structural**

- a. Appraiser must report structural deferred maintenance.
- b. Structural deferred maintenance includes, but is not limited to:
  - Basement leaks
  - Broken windows
  - Ceiling or wall damage
  - Door damage

## 5.0 Appraiser Commentary (Continued)

### 5.8 Deferred Maintenance – Structural (Continued)

- Electrical/Plumbing
- Foundation problems
- Major exterior wall issues
- Roofing/roof leaks
- Termite damage/Wood rot
- Unstable/unlevel floors

### 5.9 Zoning Status

- a. Appraiser to provide correct zoning information from the local municipality that has jurisdiction over the subject property.
- b. Appraiser to give opinion of the legal status of improvements (i.e. Legal, Legal Non-conforming, or Illegal), as relates to current municipal code.
  - 1) If Legal Non-Conforming: Indicate which specific aspects of the subject are Legal Non-Conforming and state whether existing improvements can be 100% rebuilt if destroyed.
  - 2) If Illegal: Appraiser to stop the property review and address issues/concerns with CSC point of contact for the assignment. CSC will determine whether the appraiser is to proceed with the assignment.

### 5.10 Remaining Economic Life

Appraiser to provide an estimate of the remaining economic life of the subject property. The estimated remaining economic life must be no less than the term of the proposed new loan.

## 6.0 Required Elements/Attachments

### 6.1 Plat Map

In states where available, a plat map (a survey from the title commitment, if applicable) that shows the location of the subject property with the dimensions of the lot size must be included in the appraisal report.

### 6.2 Location Map

The location map must locate the subject property and all comparable properties (including sale, rental, and listing comps, as applicable). The map should also disclose the street names of the subject property and comps.

### 6.3 Addenda

- a. If the Appraiser determines supplemental addenda are required, the addenda must be attached to the appraisal report and incorporated into the report by reference.
- b. Appraiser must comment on all forms of obsolescence and specify causes.

*(Continued)*

## 6.0 Required Elements/Attachments (Continued)

### 6.3 Addenda (Continued)

- c. If repairs are needed, the appraiser must list them and also estimate the cost to repair.
- d. Appraiser to comment regarding any disparity between Appraiser's Gross Building Area (GBA) measurements and GBA measurements declared in public records and provide permits and/or public records validating the difference in GBA measurements.
- e. Regarding additions/conversions not reported in public records, Appraiser to indicate when work was originally completed and whether the work was done in a workmanlike manner; Appraiser must also comment if the type of addition/conversion is functional and conforming to the original structure.
- f. If it is determined an improvement is illegal, Appraiser must disclose the illegal aspects of the subject property's improvements in the appraisal report (sketch and addendum commentary).

### 6.4 Floor Plan/ Building Sketch

- a. The exterior sketch of improvements must include dimensions and calculations used by the Appraiser to determine the size of the subject property.
- b. For multiple units (multiunit properties) the sketch must:
  - 1) Include layout and entries of each unit.
  - 2) Indicate the square footage of living area per unit.
  - 3) Include the gross building area (GBA).

### 6.5 Photographs

- a. Appraiser must provide photographs (with descriptions) of the subject property, which are to include:
  - Descriptive interior and exterior photographs of the subject property
  - Descriptive street scene photographs
  - Photos of all amenities, whether or not value is given
  - Photos of swimming pools, spas, any water features
  - Visual evidence of any potential health and safety concerns/issues
  - Visual evidence of any code violations
  - Exterior photos of comps
- b. All photographs must be clear, and in color; pixilated or blurry photographs are not acceptable.



## **7.0 Appraiser Credentials**

- 7.1 License**                      The Appraiser must provide a copy of his/her certification/license.
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- 7.2 E&O Insurance**              The Appraiser must provide a copy of his/her Errors & Omissions (E&O) Insurance policy, naming the Appraiser or Appraisal company as the insured.

## **8.0 CSC Collateral Analysis**

- 8.1 Appraisal Review**              CSC's Collateral Analysis Department will review the appraisal report and scrutinize information and values within.
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- 8.2 Supporting Valuation**              At its discretion, the CSC Collateral Analysis Department may order an additional valuation product, such as a Broker Price Opinion (BPO), to support the value expressed in the appraisal.
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