

# Small Residential Income Property Appraisal Report

File # Demo1025

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

SUBJECT

Property Address 770 E. Main Street	City Anytown	State IL	Zip Code 60XXX
Borrower Owners, Homer	Owner of Public Record Owners, Homer	County Kane	
Legal Description Supervrs Assmt Plat Blks X & X Blk X Stephenson's Addn & A T Halls Subdn Lot AA Blk X			
Assessor's Parcel # 15-23-XXX-XXX	Tax Year 200X	R.E. Taxes \$ 2,864.14	
Neighborhood Name East side	Map Reference 34W-7S	Census Tract 8536.00	
Occupant <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$ 0	<input type="checkbox"/> PUD	HOA \$ 0 <input type="checkbox"/> per year <input type="checkbox"/> per month
Property Rights Appraised <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)			
Assignment Type <input type="checkbox"/> Purchase Transaction <input checked="" type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)			
Lender/Client XYZ Financial Inc.		Address 123 Main Street, Anywhere, IL 605XX	
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Report data source(s) used, offering price(s), and date(s).			

CONTRACT

I  did  did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.

Contract Price \$ \_\_\_\_\_ Date of Contract \_\_\_\_\_ Is the property seller the owner of public record?  Yes  No Data Source(s) \_\_\_\_\_

Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower?  Yes  No

If Yes, report the total dollar amount and describe the items to be paid.

**Note: Race and the racial composition of the neighborhood are not appraisal factors.**

NEIGHBORHOOD

Neighborhood Characteristics	2-4 Unit Housing Trends	2-4 Unit Housing	Present Land Use %
Location <input checked="" type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values <input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE AGE	One-Unit 40 %
Built-Up <input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply <input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	\$ (000) (yrs)	2-4 Unit 30 %
Growth <input type="checkbox"/> Rapid <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time <input checked="" type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths	140 Low 40	Multi-Family 10 %
Neighborhood Boundaries Neighborhood is comprised of mixed use zoning. Boundaries are Indian Trail		250 High 125+	Commercial 10 %
Road north, Farnsworth Avenue east, Montgomery Road south, Fox River west.		182 Pred. 80	Other 10 %
Neighborhood Description Subject is located in an older mixed residential use neighborhood comprised mostly of attached and detached single family homes of average to good construction. Most all the homes project average to good buyer appeal. Proximity to services and conveniences, as well as the marketability of the properties, is average for the area. Area employment has been stable and employment opportunities are present.			

Market Conditions (including support for the above conclusions) See attached addenda.

SITE

Dimensions 49.5 x 143 Area 7,079 Sq.Ft. Shape Rectangular View Residential

Specific Zoning Classification R-4 Zoning Description 2 Family Dwelling District

Zoning Compliance  Legal  Legal Nonconforming (Grandfathered Use)  No Zoning  Illegal (describe)

Is the highest and best use of subject property as improved (or as proposed per plans and specifications) the present use?  Yes  No If No, describe \_\_\_\_\_

Utilities	Public	Other (describe)	Public	Other (describe)	Off-site Improvements - Type	Public	Private
Electricity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Water	<input checked="" type="checkbox"/>	Street Asphalt	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gas	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer	<input checked="" type="checkbox"/>	Alley Asphalt	<input checked="" type="checkbox"/>	<input type="checkbox"/>

FEMA Special Flood Hazard Area  Yes  No FEMA Flood Zone X FEMA Map # 1703200025E FEMA Map Date 3/3/1997

Are the utilities and/or off-site improvements typical for the market area?  Yes  No If No, describe \_\_\_\_\_

Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)?  Yes  No If Yes, describe \_\_\_\_\_

IMPROVEMENTS

General Description	Foundation	Exterior Description	materials/condition	Interior	materials/condition
Units <input checked="" type="checkbox"/> Two <input type="checkbox"/> Three <input type="checkbox"/> Four	<input type="checkbox"/> Concrete Slab <input type="checkbox"/> Crawl Space	Foundation Walls	Concrete/Average	Floors	Carpt/HW/Tile/Avg
<input type="checkbox"/> Accessory Unit (describe below)	<input checked="" type="checkbox"/> Full Basement <input type="checkbox"/> Partial Basement	Exterior Walls	Aluminum/Average	Walls	Combination/Avg.
# of Stories 2 # of bldgs. 1	Basement Area 1,030 sq.ft.	Roof Surface	Asphalt Shingle/Avg.	Trim/Finish	Stained/Average
Type <input checked="" type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit	Basement Finish 10 %	Gutters & Downspouts	Aluminum/Average	Bath Floor	Vinyl Tile/Average
<input checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	<input checked="" type="checkbox"/> Outside Entry/Exit <input type="checkbox"/> Sump Pump	Window Type	Wood/Vinyl/Avg.	Bath Wainscot	Tub Encl./Avg.
Design (Style) 2 Flat	Evidence of <input type="checkbox"/> Infestation	Storm Sash/Insulated	Aluminum/Average	<b>Car Storage</b>	
Year Built 1902	<input checked="" type="checkbox"/> Dampness <input type="checkbox"/> Settlement	Screens	Aluminum/Average	<input type="checkbox"/> None	
Effective Age (Yrs) 25	<b>Heating/Cooling</b>		<b>Amenities</b>		<input checked="" type="checkbox"/> Driveway # of Cars 1
Attic <input type="checkbox"/> None	<input type="checkbox"/> FWA <input checked="" type="checkbox"/> HWBB <input type="checkbox"/> Radiant	<input type="checkbox"/> Fireplace(s) #	<input type="checkbox"/> Woodstove(s) #	Driveway Surface	Asphalt
<input type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	<input type="checkbox"/> Other Fuel Gas	<input type="checkbox"/> Patio/Deck	<input checked="" type="checkbox"/> Fence Chain Link	<input checked="" type="checkbox"/> Garage # of Cars 3	
<input type="checkbox"/> Floor <input checked="" type="checkbox"/> Scuttle	Cooling <input type="checkbox"/> Central Air Conditioning	<input type="checkbox"/> Pool	<input checked="" type="checkbox"/> Porch Open	<input checked="" type="checkbox"/> Carport # of Cars 1	
<input type="checkbox"/> Finished <input type="checkbox"/> Heated	<input checked="" type="checkbox"/> Individual <input type="checkbox"/> Other	<input type="checkbox"/> Other		<input type="checkbox"/> Att. <input checked="" type="checkbox"/> Det. <input type="checkbox"/> Built-in	
# of Appliances Refrigerator 2 Range/Oven 2 Dishwasher Disposal Microwave Washer/Dryer 1 Other (describe)					
Unit # 1 contains: 5 Rooms 2 Bedrooms 1 Bath(s) 1,114 Square Feet of Gross Living Area					
Unit # 2 contains: 4 Rooms 2 Bedrooms 1 Bath(s) 980 Square Feet of Gross Living Area					
Unit # 3 contains: Rooms Bedrooms Bath(s) Square Feet of Gross Living Area					
Unit # 4 contains: Rooms Bedrooms Bath(s) Square Feet of Gross Living Area					
Additional features (special energy efficient items, etc.). Bedroom #2 on the first floor is a finished porch with space heater. Basement is partitioned but otherwise unfinished.					

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). Subject property is in average condition, exhibiting normal physical deterioration. Improvements are of average to good quality construction. Floor plan and utility is acceptable and considered typical for this type building in this area. No functional inadequacies or external obsolescence was observed. Although the subject is located on a through street, it does not appear to have a negative impact on the market value. Marketability of the property is average.

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IMPROVEMENTS	Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe.
	Evidence of previous water penetration in the basement (water marks on drywall), although no dampness was observed at the time of appraisal.
	Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe.
Is the property subject to rent control? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe	

The following properties represent the most current, similar, and proximate comparable rental properties to the subject property. This analysis is intended to support the opinion of the market rent for the subject property.

FEATURE	SUBJECT	COMPARABLE RENTAL # 1			COMPARABLE RENTAL # 2			COMPARABLE RENTAL # 3			
Address	770 E. Main Street Anytown, IL 60XXX	451 S. North Avenue Anytown, IL 60XXX			416-418 S. Fourth Street Anytown, IL 60XXX			71 N. Union Street Anytown, IL 60XXX			
Proximity to Subject		0.79 miles			0.89 miles			0.21 miles			
Current Monthly Rent	\$ 650	\$ 1,450			\$ 1,400			\$ 1,500			
Rent/Gross Bldg. Area	\$ 0.31 sq.ft.	\$ 0.93 sq.ft.			\$ 0.73 sq.ft.			\$ 0.69 sq.ft.			
Rent Control	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Data Source(s)	Inspection	MLS of Northern Illinois			MLS of Northern Illinois			MLS of Northern Illinois			
Date of Lease(s)	Monthly	Monthly			Monthly			Monthly			
Location	Average	Average			Average			Average			
Actual Age	103	105			105			105			
Condition	Average	Average			Average			Average			
Gross Building Area	2,094	1,566			1,912			2,184			
Unit Breakdown	Rm Count	Size Sq. Ft.	Rm Count	Size Sq. Ft.	Monthly Rent	Rm Count	Size Sq. Ft.	Monthly Rent	Rm Count	Size Sq. Ft.	Monthly Rent
	Tot Br Ba	2,094	Tot Br Ba	1,566	1,450	Tot Br Ba	1,912	1,400	Tot Br Ba	2,184	1,500
Unit # 1	5 2 1	1,114	4 2 1	783	\$ 800	4 2 1	956	\$ 700	5 3 1	1,092	\$ 800
Unit # 2	4 2 1	980	3 2 1	783	\$ 650	4 2 1	956	\$ 700	5 2 1	1,092	\$ 700
Unit # 3					\$			\$			\$
Unit # 4					\$			\$			\$
Utilities Included	Heat, Water, Sewer	None				Heat, Water, Sewer			Heat, Water, Sewer		

Analysis of rental data and support for estimated market rents for the individual subject units reported below (including the adequacy of the comparables, rental concessions, etc.) All comps are recent rentals located in the same market area as the subject. All comps are similar in age and condition to the subject property. Comps #1 & 2 have similar utility to the subject. Comps #1 & 2 are smaller buildings while Comp #3 is larger. Utilities that are included are typical of similar older buildings in the area.

**Rent Schedule:** The appraiser must reconcile the applicable indicated monthly market rents to provide an opinion of the market rent for each unit in the subject property.

Unit #	Leases		Actual Rents			Opinion of Market Rent		
	Lease Date		Per Unit		Total Rents	Per Unit		Total Rents
	Begin Date	End Date	Unfurnished	Furnished		Unfurnished	Furnished	
1	Owner	Owner	\$ Owner	\$ 0	\$ 700	\$ 0	\$ 700	
2	Monthly	Monthly	650	0	700	0	700	
3								
4								
Comment on lease data No extraordinary terms or conditions. Leases are typical of the marketplace.			Total Actual Monthly Rent		\$ 650	Total Gross Monthly Rent		\$ 1,400
			Other Monthly Income (itemize)		\$ 0	Other Monthly Income (itemize)		\$ 0
			Total Actual Monthly Income		\$ 650	Total Estimated Monthly Income		\$ 1,400

Utilities included in estimated rents  Electric  Water  Sewer  Gas  Oil  Trash collection  Cable  Other

Comments on actual or estimated rents and other monthly income (including personal property) Current lease information was provided by the owner of the subject property. Estimated rents for the subject is based on the predominant monthly rent suggested by the above comparable rental data. Actual rents differ slightly as the subject appears to be lagging behind the current rental market.

I  did  did not research the sale or transfer history of the subject property and comparable sales. If not, explain

My research  did  did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data Source(s) Public Records

My research  did  did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.

Data Source(s) Public Records

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE # 1	COMPARABLE SALE # 2	COMPARABLE SALE # 3
Date of Prior Sale/Transfer	04/15/200X	N/A	N/A	N/A
Price of Prior Sale/Transfer	\$162,000			
Data Source(s)	Public Records			
Effective Date of Data Source(s)	11/08/200X			

Analysis of prior sale or transfer history of the subject property and comparable sales Subject property's last reported sale was verified through public records, although no further information with regards to it having been a market sale, its' condition, exposure time, or list-to-sale ratio pertaining to that sale was available because it appears to have been sold "by owner" without being listed in the local multiple listing service. There is no sales history or transfers of the comparable sales within one year prior to the date of sale of the comparable.

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There are 8 comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ 142,000 to \$ 210,000

There are 10 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ 149,000 to \$ 202,000

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address	770 E. Main Street Anytown, IL 60XXX	735 Sexton Street Anytown, IL 60XXX		833 Columbia Street Anytown, IL 60XXX		729 Liberty Street Anytown, IL 60XXX	
Proximity to Subject		1.30 miles		0.42 miles		0.49 miles	
Sale Price	\$	\$ 171,000		\$ 170,000		\$ 189,000	
Sale Price/Gross Bldg. Area	\$ sq.ft.	\$ 96.01 sq.ft.		\$ 87.45 sq.ft.		\$ 99.89 sq.ft.	
Gross Monthly Rent	\$ 1,400	\$ 1,350		\$ 1,400		\$ 1,500	
Gross Rent Multiplier		126.67		121.43		126.00	
Price per Unit	\$	\$ 85,500		\$ 85,000		\$ 94,500	
Price per Room	\$	\$ 17,100		\$ 21,250		\$ 18,900	
Price per Bedroom	\$	\$ 42,750		\$ 42,500		\$ 37,800	
Rent Control	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Data Source(s)		MLSNI		MLSNI		MLSNI	
Verification Source(s)		Aurora Township Assessor		Aurora Township Assessor		Aurora Township Assessor	

SALES COMPARISON APPROACH

VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION +(-) Adjustment			DESCRIPTION +(-) Adjustment			DESCRIPTION +(-) Adjustment		
Sale or Financing Concessions		Conventional None Reported			Conventional Paid Points -5,525			Conventional Paid Points -4,000		
Date of Sale/Time		06/30/200X			10/28/200X			05/27/200X		
Location	Average	Average			Average			Average		
Leasehold/Fee Simple	Fee Simple	Fee Simple			Fee Simple			Fee Simple		
Site	7,079 Sq.Ft.	6,600 Sq.Ft.			11,240 Sq.Ft.			7,920 Sq.Ft.		
View	Residential	Residential			Residential			Residential		
Design (Style)	2 Flat	2 Flat			2 Flat			2 Flat		
Quality of Construction	Aluminum	Frame +2,000			Aluminum/Vinyl			Aluminum/Vinyl 0		
Actual Age	103	105			105			105		
Condition	Average	Average			Average			Average		
Gross Building Area	2,094	1,781 +6,260			1,944 +3,000			1,892 +4,040		
Unit Breakdown	Total Bdrms Baths	Total Bdrms Baths			Total Bdrms Baths			Total Bdrms Baths		
Unit # 1	5 2 1	6 2 1			4 2 1			6 3 1		
Unit # 2	4 2 1	4 2 1			4 2 1			4 2 1.5 -1,000		
Unit # 3										
Unit # 4										
Basement Description	Full	Full			Full			Full		
Basement Finished Rooms	None	None			None			None		
Functional Utility	Average	Average			Average			Average		
Heating/Cooling	GHW/WAC	GFWA/CAC -2,500			GFWA/None			GFWA/None 0		
Energy Efficient Items	Average	Average			Average			Average		
Parking On/Off Site	3 Car Garage	2 Car Garage +2,000			None +6,000			1 Car Garage +4,000		
Porch/Patio/Deck	Porch	Porch			Porch			Porch		
Net Adjustment (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 7,760			<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 3,475			<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 3,040		
Adjusted Sale Price of Comparables		Net 4.5 % Gross 7.5 % \$ 178,760			Net 2.0 % Gross 8.5 % \$ 173,475			Net 1.6 % Gross 6.9 % \$ 192,040		
Adjusted Price Per Unit (Adj. SP Comp / # of Comp Units)	\$	\$ 89,380			\$ 86,738			\$ 96,020		
Adjusted Price Per Room (Adj. SP Comp / # of Comp Rooms)	\$	\$ 17,876			\$ 21,684			\$ 19,204		
Adjusted Price Per Bedrm (Adj. SP Comp / # of Comp Bedrooms)	\$	\$ 44,690			\$ 43,369			\$ 38,408		
Value per Unit	\$ 89,000 X 2	Units = \$ 178,000			Value per GBA \$ 96 X 2,094			GBA = \$ 201,024		
Value per Rm.	\$ 20,000 X 9	Rooms = \$ 180,000			Value per Bdrms. \$ 44,000 X 4			Bdrms. = \$ 176,000		

Summary of Sales Comparison Approach including reconciliation of the above indicators of value. All comps are recent sales of similar 2 unit buildings located in the same market area as the subject. Comps #2 & 3 were adjusted for seller concessions. Lot size is not a factor of value. Comp #1 has not been resided. All comps are similar in age and condition to the subject property. All comps are slightly smaller homes adjusted for size @ \$20 per sq.ft. Comp #1 has central air conditioning. All were adjusted for garage. Most weight was given to the mid range of indicated value for the subject property. Although proximity for at least one sale may appear excessive, it was the best available. A location adjustment is not necessary. Consideration was also given to the mid range of the above value indicators for the subject property to arrive at a final indicated value by the sales comparison approach.

Indicated Value by Sales Comparison Approach \$ 178,000

INCOME

Total gross monthly rent \$ 1,400 X gross rent multiplier (GRM) 126 = \$ 176,400 Indicated value by the Income Approach

Comments on income approach including reconciliation of the GRM All comparables were vacant at the time of their sale, which is typical in this marketplace. (Buildings usually sell as vacant here because they are easier to show.) Rents were estimated using data from the rental analysis. All were used to abstract an estimated gross rent multiplier.

Indicated Value by: Sales Comparison Approach \$ 178,000 Income Approach \$ 176,400 Cost Approach (if developed) \$ N/A

There is sufficient data to develop an indication of value by the sales comparison approach with support from the income approach. Due to the age of the subject's improvement, development of the cost approach was found to be inapplicable to make a credible appraisal for this assignment and was not developed for this report.

RECONCILIATION

This appraisal is made  "as is",  subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed,  subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or  subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ 178,000 , as of 11/08/200X , which is the date of inspection and the effective date of this appraisal.

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See attached addendum for additional certifications and other conditions.

ADDITIONAL COMMENTS

COST APPROACH

PUD INFORMATION

**COST APPROACH TO VALUE (not required by Fannie Mae)**

Provide adequate information for the lender/client to replicate the below cost figures and calculations.  
 Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value)

ESTIMATED <input type="checkbox"/> REPRODUCTION OR <input type="checkbox"/> REPLACEMENT COST NEW	OPINION OF SITE VALUE ..... = \$
Source of cost data	DWELLING Sq.Ft. @ \$ ..... = \$
Quality rating from cost service Effective date of cost data	Sq.Ft. @ \$ ..... = \$
Comments on Cost Approach (gross living area calculations, depreciation, etc.)	..... = \$
Due to the age of the subject's improvement, development of the cost approach was found to be inapplicable to make a credible appraisal for this assignment and was not used in this report.	Garage/Carport Sq.Ft. @ \$ ..... = \$
	Total Estimate of Cost-New ..... = \$
	Less Physical Functional External
	Depreciation ..... = \$( )
	Depreciated Cost of Improvements ..... = \$
	"As-is" Value of Site Improvements ..... = \$
Estimated Remaining Economic Life (HUD and VA only) Years	INDICATED VALUE BY COST APPROACH ..... = \$

**PROJECT INFORMATION FOR PUDs (if applicable)**

Is the developer/builder in control of the Homeowners' Association (HOA)?  Yes  No Unit type(s)  Detached  Attached  
 Provide the following information for PUDs ONLY if the developer/builder is in control of the HOA and the subject property is an attached dwelling unit.

Legal Name of Project \_\_\_\_\_

Total number of phases	Total number of units	Total number of units sold
Total number of units rented	Total number of units for sale	Data source(s)

Was the project created by the conversion of existing building(s) into a PUD?  Yes  No If Yes, date of conversion. \_\_\_\_\_

Does the project contain any multi-dwelling units?  Yes  No Data Source \_\_\_\_\_

Are the units, common elements, and recreation facilities complete?  Yes  No If No, describe the status of completion. \_\_\_\_\_

Are the common elements leased to or by the Homeowners' Association?  Yes  No If Yes, describe the rental terms and options. \_\_\_\_\_

Describe common elements and recreational facilities. \_\_\_\_\_

This report form is designed to report an appraisal of a two- to four-unit property, including a two- to four-unit property in a planned unit development (PUD). A two- to four-unit property located in either a condominium or cooperative project requires the appraiser to inspect the project and complete the project information section of the Individual Condominium Unit Appraisal Report or the Individual Cooperative Interest Appraisal Report and attach it as an addendum to this report.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, definition of market value, or assumptions and limiting conditions are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Modifications or deletions to the certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

**SCOPE OF WORK:** The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

**INTENDED USE:** The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

**INTENDED USER:** The intended user of this appraisal report is the lender/client.

**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 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.

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS:** The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.
2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements, including each of the units. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.
3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.
5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.
6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.

# Small Residential Income Property Appraisal Report

File # Demo1025

**APPRAISER'S CERTIFICATION:** The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.
2. I performed a complete visual inspection of the interior and exterior areas of the subject property, including all units. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.
3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison and income approaches to value. I have adequate market data to develop reliable sales comparison and income approaches to value for this appraisal assignment. I further certify that I considered the cost approach to value but did not develop it, unless otherwise indicated in this report.
5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.
6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.
7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.
8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.
9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.
10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.
11. I have knowledge and experience in appraising this type of property in this market area.
12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.
13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.
14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.
15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.
16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.
17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).
19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.
20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.

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21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

**SUPERVISORY APPRAISER'S CERTIFICATION:** The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.
4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

## APPRAISER

Signature \_\_\_\_\_  
Name Paul J. Piekos SRA  
Company Name Piekos Appraisals  
Company Address 1533 N. Vest Drive, Naperville, IL. 60563  
Telephone Number (630) 357-4647  
Email Address paul@piekos.com  
Date of Signature and Report 11/08/200X  
Effective Date of Appraisal 11/08/200X  
State Certification # XXX.XXXXXXX  
or State License # \_\_\_\_\_  
or Other (describe) \_\_\_\_\_ State # \_\_\_\_\_  
State IL  
Expiration Date of Certification or License 9/30/2007

## ADDRESS OF PROPERTY APPRAISED

770 E. Main Street  
Anytown, IL 60XXX

APPRAISED VALUE OF SUBJECT PROPERTY \$ 178,000

## LENDER/CLIENT

Name Joe Blow  
Company Name XYZ Financial Inc.  
Company Address 123 Main Street, Anywhere, IL 605XX  
Email Address jblow@xyz.com

## SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Company Name \_\_\_\_\_  
Company Address \_\_\_\_\_  
Telephone Number \_\_\_\_\_  
Email Address \_\_\_\_\_  
Date of Signature \_\_\_\_\_  
State Certification # \_\_\_\_\_  
or State License # \_\_\_\_\_  
State \_\_\_\_\_  
Expiration Date of Certification or License \_\_\_\_\_

## SUBJECT PROPERTY

- Did not inspect subject property  
 Did inspect exterior of subject property from street  
Date of Inspection \_\_\_\_\_  
 Did inspect interior and exterior of subject property  
Date of Inspection \_\_\_\_\_

## COMPARABLE SALES

- Did not inspect exterior of comparable sales from street  
 Did inspect exterior of comparable sales from street  
Date of Inspection \_\_\_\_\_

## Additional Addendum

File No. Demo1025

Borrower/Client Owners, Homer			
Property Address 770 E. Main Street			
City Anytown	County Kane	State IL	Zip Code 60XXX
Lender XYZ Financial Inc.			

• **Small Income : Neighborhood Market Conditions**

According to the local MLS, housing values have steadily increased ahead of the rate of inflation within the past twelve months. Properties usually sell within 95% of the list price. The demand for housing in the subject neighborhood is consistent with the rest of nearby competing areas, with a typical marketing time of under 90 days. The demand for multi-family dwellings parallel that of single family homes, also under 90 days on the market. Financing is readily available at current market rates. The area usually attracts first time buyers with small down payments, some requiring seller assisted financing through the payment of loan discount points. The financing can be through either the conventional process or government-insured (FHA/VA) loans.

### ADDITIONAL CERTIFICATIONS AND OTHER CONDITIONS

This is a Summary Appraisal Report of a complete appraisal on the subject property, as set forth by Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice.

#### PURPOSE, FUNCTION AND INTENDED USE OF THE APPRAISAL

This report was prepared for and intended for the sole use of: XYZ Financial Inc. (the client and mortgagee, as the intended user) to assist the lender in making a lending decision as the intended use only and is not intended for use by any other party or for any other purpose. The client should obtain the appraiser's permission in writing before disseminating the report to any third party. Any party that attempts to utilize this report without the written permission of the appraiser does so at their own risk. Be advised that this report was prepared for the client and that the appraiser does not intend to influence any third party's decision regarding potential investments.

The current use of the subject property existing as of the date of value is residential, which is the same as the appraiser's opinion of the highest and best use of the real estate being appraised.

Any furnishings or personal property items were not considered in the valuation of the real property.

**The State of Illinois Residential Property Disclosure Act** (Public Act 88-111) obligates the seller of the subject property to provide a disclosure report before or at the time of written agreement to the prospective buyer of actual or known material defects of the property that would have a substantial adverse effect on value or significantly impair the health or safety of future occupants unless the seller reasonably believes that the condition has been corrected. The appraiser is not obligated to receive a disclosure report from any of the interested parties in this transaction. Therefore, the appraiser will not be responsible for any defects, admitted or concealed on the disclosure report and will assume no liability for any adverse conditions that they may create.

As of the date of this report, the appraiser was not supplied with the legal description of the subject property and the sales contract, in accordance with USPAP requirements. In addition, if a home inspection report was performed on the subject property, it was also not made available to the appraiser.

The federal government has enacted legislation, referred to as "Megan's Law," that encourages states to disclose to the public the whereabouts of convicted child molesters within the community. These individuals may be transient and therefore the situation may change periodically. While the appraiser has no knowledge of any offenders residing nearby the subject property, the scope of this assignment did not include any investigation in this matter. The client is advised to consult with local law enforcement officials about this issue. The appraiser assumes no responsibility for any issues related to Megan's Law.

There are a wide variety of detrimental conditions that can impact property values. These include, but are not limited to: non-market motivations, future temporary disruptions, stigmas, convicted criminals who reside in the neighborhood, neighborhood nuisances, future unannounced surrounding developments, structural and engineering conditions, construction conditions, soils and geotechnical issues, environmental conditions and natural conditions. The appraiser has inspected the subject on a level that is consistent with the typical responsibilities of the appraisal profession; however, the appraiser does not have the expertise of market analysts, soils, structural or environmental engineers, scientists, urban planners and specialists in these various fields. Unless otherwise stated within the report, the appraiser assumes no responsibilities for the impact that the variety of detrimental conditions may cause.

Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, mold and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field if desired.

This report is computer generated. An electronic (digital) signature may have also been used in this report. If so, precautions have been made through software encryption to protect the integrity of the appraiser(s) signature, which securely authorizes the utilization of the electronic signature. Electronically affixing a signature to the report carries the same level of authenticity and responsibility as an ink signature on a paper copy report.

This appraisal report may have been electronically transmitted. If so, through software encryption, the appraiser has taken reasonable steps to protect the data integrity of the transmitted report.



## Additional Addendum

File No. Demo1025

Borrower/Client	Owners, Homer						
Property Address	770 E. Main Street						
City	Anytown	County	Kane	State	IL	Zip Code	60XXX
Lender	XYZ Financial Inc.						

### SCOPE OF WORK

The scope of work consists of a visit by the appraiser to view the interior and exterior to catalog the salient attributes of the subject property.

The appraiser will investigate appropriate market data for utilization in a sales comparison approach to value, and if appropriate, cost and income capitalization approaches. Appraiser's investigations will include research of public records through the use of commercial sources of data such as printed comparable data services, computerized databases, etc. Search parameters such as dates of sales, leases, locations, sizes, types of properties and distances from the subject will start with relatively narrow constraints and, if necessary, be expanded until the appraiser has either retrieved data sufficient (in the appraiser's opinion) to estimate market value, or until appraiser believes that the appraiser has reasonably exhausted the available pool of data. Researched sales data will be viewed and, if found to be appropriate, efforts will be made to verify the data with persons directly involved in the transactions such as buyers, seller, brokers or agents. At appraiser's discretion some data will be used without personal verification if, in the appraiser's opinion, the data appears to be correct. In addition, appraiser will consider any appropriate listings of properties found through observation during appraiser's data collection process. Appraiser will report only the data deemed to be pertinent to the valuation problem.

The appraiser will investigate and analyse any pertinent easements or restriction, on the fee simple ownership of the subject property. It is the client's responsibility to supply the appraiser with a title report. If a title report is not available, appraiser will rely on a visual observation and identify any readily apparent easements or restrictions.

The appraiser will analyse the data found and reach conclusions regarding the market value, as defined in the report, of the subject property as of the date of value using appropriate valuation approach(es) identified above.

The appraiser will complete the appraisal report in compliance with appraiser's interpretation of the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation and the Code of Professional Ethics and Certification Standard of the Appraisal Institute.

The appraiser will not be responsible for ascertaining the existence of any toxic waste or other contamination present on or off the site. Appraiser will, however, report any indications of toxic waste or contaminants that may affect value if they are readily apparent during the appraiser's investigations. Appraiser cautions the user of the report that the appraiser is not an expert in such matters and that the appraiser may overlook contamination that may be readily apparent to others.

Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the subject property that would make the subject property more or less valuable, and makes no guarantees or warranties, expressed or implied, regarding the condition of the subject property.

The appraiser will prepare a report which will include photographs (or digital images) of the subject property, descriptions of the subject neighborhood, the site, any improvements on the site, a description of the zoning, a highest and best use analysis, a summary of the most important sales used in the appraiser's valuation, a reconciliation and conclusion, a map illustrating the sales in relationship to the subject property, and other data deemed by the appraiser to be relevant to the report. Pertinent data and analyses not included in the report may be retained in the appraiser's files.

### Initial Privacy Notice

**Our privacy principles:** We are committed to protecting our clients' personal and financial information. This privacy statement addresses what nonpublic personal information we collect, what we do with it, and how we protect it.

**What information we collect:** We may collect and maintain several types of personal information in the course of providing you with appraisal services, such as:

- Information we receive from you on applications, letters of engagement, forms found on our web site, correspondence, or conversations, including, but not limiting to, your name, address, phone number, social security number, date of birth, bank records and salary information.
- Information about your transactions with us, our affiliates or others, including, but not limiting to, payment history, parties to transactions and other financial information.
- Information we receive from a consumer-reporting agency such as a credit history.

**What information we may disclose:** We may disclose the nonpublic personal information about you described above, primarily to provide you with the appraisal services you seek from us. We do not disclose nonpublic personal information about clients or former clients except as required or permitted by law.

**Who we share the information with:** Unless you tell us not to, we may disclose nonpublic personal information about you to the following types of third parties:

- Financial service providers, such as banks and lending institutions.
- Non-financial companies.

### (AS REQUIRED BY THE APPRAISAL INSTITUTE)

I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

### Additional Addendum

File No. Demo1025

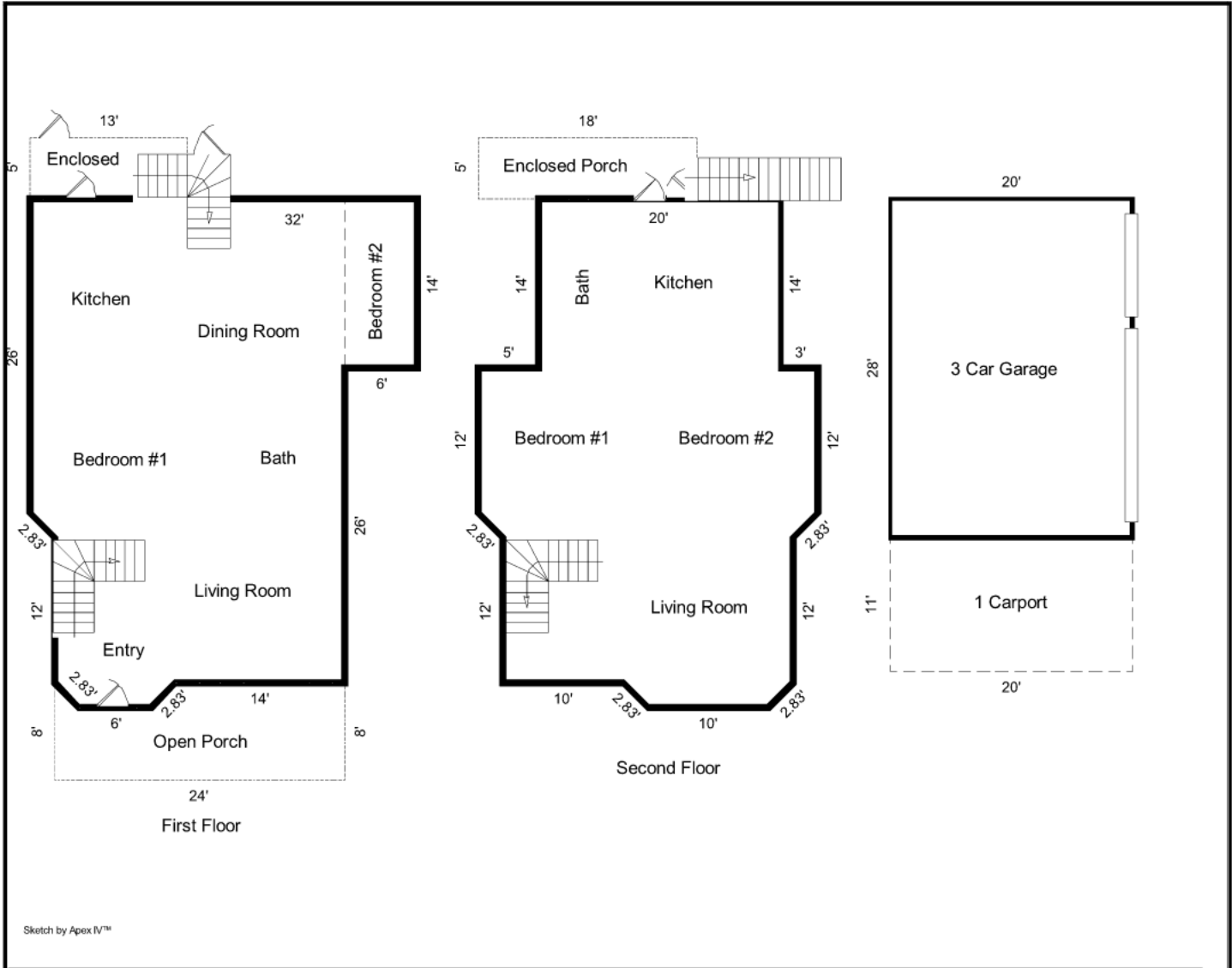
Borrower/Client Owners, Homer				
Property Address 770 E. Main Street				
City Anytown	County Kane	State IL	Zip Code 60XXX	
Lender XYZ Financial Inc.				

I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.

As of the date of this report, I Paul J. Piekos have completed the requirements of the continuing education program of the Appraisal Institute.

## Building Sketch (Page - 1)

Borrower/Client Owners, Homer			
Property Address 770 E. Main Street			
City Anytown	County Kane	State IL	Zip Code 60XXX
Lender XYZ Financial Inc.			



Comments:

AREA CALCULATIONS SUMMARY			
Code	Description	Net Size	Net Totals
GBA1	First Floor	1114.00	1114.00
GBA2	Second Floor	980.00	980.00
BSMT	Basement	1030.00	1030.00
P/P	Porch	176.00	
	Enclosed Porch	65.00	
	Enclosed Porch	90.00	331.00
GAR	Garage	560.00	
	Garage	220.00	780.00
Net BUILDING Area ( Rounded )			2094

BUILDING AREA BREAKDOWN			
Breakdown			Subtotals
<b>First Floor</b>			
	24.00	x	28.00
	6.00	x	14.00
	2.00	x	2.00
0.5 x	2.00	x	26.00
	12.00	x	24.00
	2.00	x	6.00
0.5 x	2.00	x	2.00
0.5 x	2.00	x	2.00
<b>Second Floor</b>			
	12.00	x	24.00
	2.00	x	10.00
0.5 x	2.00	x	2.00
0.5 x	2.00	x	2.00
	14.00	x	20.00
	12.00	x	28.00
	2.00	x	24.00
0.5 x	2.00	x	2.00
0.5 x	2.00	x	2.00
17 Items ( Rounded )			2094

## Subject Photo Page

Borrower/Client Owners, Homer				
Property Address 770 E. Main Street				
City Anytown	County Kane	State IL	Zip Code 60XXX	
Lender XYZ Financial Inc.				



### Subject Front

770 E. Main Street

GBA: 2,094

Age: 103



### Subject Rear



### Subject Street

## PHOTOGRAPH ADDENDUM

Borrower/Client	Owners, Homer						
Property Address	770 E. Main Street						
City	Anytown	County	Kane	State	IL	Zip Code	60XXX
Lender	XYZ Financial Inc.						



**SUBJECT'S DETACHED GARAGE**

## Comparable Photo Page

Borrower/Client Owners, Homer			
Property Address 770 E. Main Street			
City Anytown	County Kane	State IL	Zip Code 60XXX
Lender XYZ Financial Inc.			



### Comparable 1

735 Sexton Street  
Sales Price: 171,000  
GBA: 1,781  
Age: 105



### Comparable 2

833 Columbia Street  
Sales Price: 170,000  
GBA: 1,944  
Age: 105

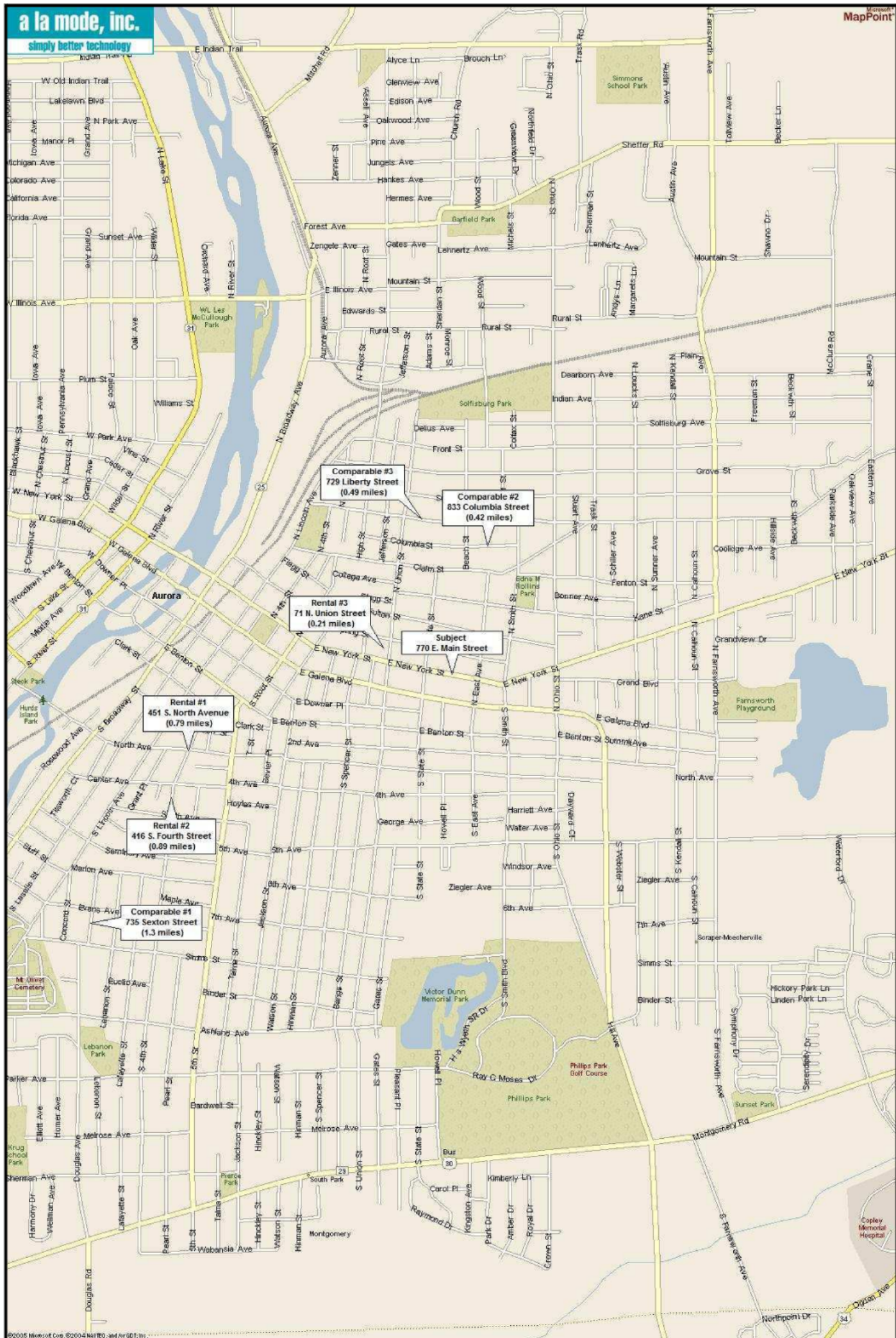


### Comparable 3

729 Liberty Street  
Sales Price: 189,000  
GBA: 1,892  
Age: 105

# Location Map

Borrower/Client Owners, Homer			
Property Address 770 E. Main Street			
City Anytown	County Kane	State IL	Zip Code 60XXX
Lender XYZ Financial Inc.			



# Operating Income Statement

## One- to Four-Family Investment Property and Two- to Four-Family Owner-Occupied Property

Property Address

Street 770 E. Main Street

City Anytown

State IL

Zip Code 60XXX

General Instructions: This form is to be prepared jointly by the loan applicant, the appraiser, and the lender's underwriter. The applicant must complete the following schedule indicating each unit's rental status, lease expiration date, current rent, market rent, and the responsibility for utility expenses. Rental figures must be based on the rent for an "unfurnished" unit.

	Currently Rented	Expiration Date	Current Rent Per Month	Market Rent Per Month	Utility Expense	Paid By Owner	Paid By Tenant
Unit No. 1	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Owner	\$ 0	\$ 700	Electricity	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Unit No. 2	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Monthly	\$ 650	\$ 700	Gas	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Unit No. 3	Yes <input type="checkbox"/> No <input type="checkbox"/>		\$	\$	Fuel Oil	<input type="checkbox"/>	<input type="checkbox"/>
Unit No. 4	Yes <input type="checkbox"/> No <input type="checkbox"/>		\$	\$	Fuel (Other)	<input type="checkbox"/>	<input type="checkbox"/>
<b>Total</b>			<b>\$ 650</b>	<b>\$ 1,400</b>	Water/Sewer	<input checked="" type="checkbox"/>	<input type="checkbox"/>
					Trash Removal	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The applicant should complete all of the income and expense projections and for existing properties provide actual year-end operating statements for the past two years (for new properties the applicant's projected income and expenses must be provided). This Operating Income Statement and any previous operating statements the applicant provides must then be sent to the appraiser for review, comment, and/or adjustments next to the applicant's figures (e.g. Applicant/Appraiser 288/300). If the appraiser is retained to complete the form instead of the applicant, the lender must provide to the appraiser the aforementioned operating statements, mortgage insurance premium, HOA dues, leasehold payments, subordinate financing, and/or any other relevant information as to the income and expenses of the subject property received from the applicant to substantiate the projections. The underwriter should carefully review the applicant's/appraiser's projections and the appraiser's comments concerning those projections. The underwriter should make any final adjustments that are necessary to more accurately reflect any income or expense items that appear unreasonable for the market. (Real estate taxes and insurance on these types of properties are included in PITI and not calculated as an annual expense item.) Income should be based on the current rents, but should not exceed market rents. When there are no current rents because the property is proposed, new, or currently vacant, market rents should be used.

### Annual Income and Expense Projection for Next 12 months

	By Applicant/Appraiser	Adjustments by Lender's Underwriter
<b>Income (Do not include income for owner-occupied units)</b>		
Gross Annual Rental (from unit(s) to be rented)	\$ 16,800	\$
Other Income (include sources)	+ 0	+
Total	\$ 16,800	\$
Less Vacancy/Rent Loss	- 1,176 ( 7%)	- ( %)
Effective Gross Income	\$ 15,624	\$
<b>Expenses (Do not include expenses for owner-occupied units)</b>		
Electricity	Tenant	
Gas	N/A	
Fuel Oil	N/A	
Fuel (Type - Gas )	2,400	
Water/Sewer	600	
Trash Removal	Included in Taxes	
Pest Control	N/A	
Other Taxes or Licenses	N/A	
Casual Labor	Owner	
This includes the costs for public area cleaning, snow removal, etc., even though the applicant may not elect to contract for such services.		
Interior Paint/Decorating	150	
This includes the costs of contract labor and materials that are required to maintain the interiors of the living unit.		
General Repairs/Maintenance	150	
This includes the costs of contract labor and materials that are required to maintain the public corridors, stairways, roofs, mechanical systems, grounds, etc.		
Management Expenses	Owner	
These are the customary expenses that a professional management company would charge to manage the property.		
Supplies	150	
This includes the costs of items like light bulbs, janitorial supplies, etc.		
Total Replacement Reserves - See Schedule on Pg. 2	741	
Miscellaneous		
<b>Total Operating Expenses</b>	<b>\$ 4,191</b>	<b>\$</b>



**Replacement Reserve Schedule**

Adequate replacement reserves must be calculated regardless of whether actual reserves are provided for on the owner's operating statements or are customary in the local market. This represents the total average yearly reserves. Generally, all equipment and components that have a remaining life of more than one year-such as refrigerators, stoves, clothes washers/dryers, trash compactors, furnaces, roofs, and carpeting, etc. - should be expensed on a replacement cost basis.

Equipment	Replacement Cost	Remaining Life	By Applicant/ Appraiser	Lender Adjustments
Stoves/Ranges .....	@ \$ 300 ea. /	20 Yrs. x	2 Units = \$ 30.00	\$
Refrigerators .....	@ \$ 500 ea. /	20 Yrs. x	2 Units = \$ 50.00	\$
Dishwashers .....	@ \$ ea. /	Yrs. x	Units = \$	\$
A/C Units .....	@ \$ 400 ea. /	15 Yrs. x	3 Units = \$ 80.00	\$
C. Washer/Dryers .....	@ \$ 600 ea. /	20 Yrs. x	1 Units = \$ 30.00	\$
HW Heaters .....	@ \$ 250 ea. /	12 Yrs. x	1 Units = \$ 20.83	\$
Furnace(s) .....	@ \$ 1,800 ea. /	25 Yrs. x	1 Units = \$ 72.00	\$
(Other) .....	@ \$ ea. /	Yrs. x	Units = \$	\$
Roof .....	@ \$ 4,500 /	20 Yrs. x One Bldg. =	\$ 225	\$
Carpeting (Wall to Wall)		Remaining Life		
(Units) 233 Total Sq. Yds. @ \$ 10.00 Per Sq. Yd. / 10 Yrs. =			\$ 233	\$
(Public Areas) Total Sq. Yds. @ \$ Per Sq. Yd. / Yrs. =			\$	\$
Total Replacement Reserves. (Enter on Pg. 1)			\$ 740.83	\$

**Operating Income Reconciliation**

\$ 15,624	-	\$ 4,191	=	\$ 11,433	/ 12 =	\$ 953
Effective Gross Income		Total Operating Expenses		Operating Income		Monthly Operating Income
\$ 953	-	\$	=	\$		
Monthly Operating Income		Monthly Housing Expense		Net Cash Flow		

(Note: Monthly Housing Expense includes principal and interest on the mortgage, hazard insurance premiums, real estate taxes, mortgage insurance premiums, HOA dues, leasehold payments, and subordinate financing payments.)

**Underwriter's instructions for 2-4 Family Owner-Occupied Properties**

- If Monthly Operating Income is a positive number, enter as "Net Rental Income" in the "Gross Monthly Income" section of Freddie Mac Form 65/Fannie Mae Form 1003. If Monthly Operating Income is a negative number, it must be included as a liability for qualification purposes.
- The borrower's monthly housing expense-to-income ratio must be calculated by comparing the total Monthly Housing Expense for the **subject property** to the borrower's stable monthly income.

**Underwriter's instructions for 1-4 Family Investment Properties**

- If Net Cash Flow is a positive number, enter as "Net Rental Income" in the "Gross Monthly Income" section of Freddie Mac Form 65/Fannie Mae Form 1003. If Net Cash Flow is a negative number, it must be included as a liability for qualification purposes.
- The borrower's monthly housing expense-to-income ratio must be calculated by comparing the total monthly housing expense for the borrower's **primary residence** to the borrower's stable monthly income.

**Appraiser's Comments (Including sources for data and rationale for the projections)**

Casual labor is to be provided by the owner, who will be either residing in or be in close proximity to the subject property. Minor repairs and decorating also to be performed by the owner. Replacement costs for equipment are at the retail level. Estimated remaining life new for those items are for units of average quality.

Paul J. Piekos SRA \_\_\_\_\_ 11/08/200X  
 Appraiser Name Appraiser Signature Date

**Underwriter's Comments and Rationale for Adjustments**

\_\_\_\_\_  
 Underwriter Name Underwriter Signature Date