



# Appraisal CE

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# Today's Agenda

- FAQs
- Case Studies
- Full Appraisal Review
- Q&A



# Why do we need an appraisal?

Lenders use appraisals **to establish value and marketability.**

The appraisal is used to answer the following critical question:

**Does the collateral (the home) satisfy the unpaid mortgage debt?**

# Who orders and pays for the appraisal?

**Red Diamond Home Loans** orders the appraisal through an appraisal management company on behalf of your client.

**Your Client, our borrower**, pays for the appraisal. We will ask for credit card information soon after receiving the executed purchase contract.

Standard costs:

- Conventional: \$495
- FHA: \$550
- VA: \$500
- Jumbo: \$500-\$800
- Rural: We request and appraiser gives a number. Ex. Boyd, TX: \$650

# How long do appraisals take?

Generally, an appraisal is received back **7-10 days** from the day it is ordered.

The listing agent is the point of contact for scheduling and accessing the property.

We will send the appraisal to you and the seller as soon as it is received.

# What can go wrong and how can an appraisal affect my transaction?

Most common: Appraisal comes in low.

We must lend on the **lesser of** the appraised value or the sales price.

Options: Sales price comes down **OR** the buyer makes up for the difference **OR** walk away.

# Is there anything I can do to protect my client from negative effects of a low appraisal?

Appraisal **risk** is created when the sales price is pushed to the highest level. Beating out other offers with a higher sales price could create potential problems with the appraised value.

You can protect yourself and your clients by notifying your buyer or seller what the options are should the value come in low. You can also use the **TREC form for appraisals** to avoid problems with a low value (Anthony likely has most insight into this).

# Can we use a recent appraisal ordered and paid for by someone else?

We, as the lender, must have the appraisal created in our company name. We can **not** use an appraisal in another company's name. Most companies will not transfer those appraisals to a new name, so using an old appraisal or one ordered by someone else is unusual.

Note: Red Diamond can provide an appraisal credit of **up to \$525** on all conventional loans for borrowers that qualify.



# Case Studies: what can happen?

- Rachel's client buying new construction in Boyd

Appraisal came in \$23,000 low. Seller/builder did not want to budge on the price. Appraiser used all reasonable comps and it was a very good appraisal. Price per square foot was given to be significantly higher than all other comps. We submitted a reconsideration of value form to appraiser with some construction receipts and value increased very slightly. The back and forth and reconsideration seriously delayed closing. In the end, we changed the loan-to-value ratio and buyer & seller negotiated but buyer still paid \$13,000 above appraised value.

Note: changing the LTV is only possible if they are NOT putting the minimum down.

- Mike's clients buying new builds in Azle & Grapevine

Not enough comps to support the value.

- Rachel's client buying an older home where appraisal was made "subject to possible foundation repairs based on separation of brick and mortar" rather than "as is" on p.2.

The house seemed to pass inspection, but the appraiser realized concerns with the foundation. We submitted to underwriting and were conditioned for a "foundation inspection by a qualified licensed engineer" and will require a final inspection by the appraiser.

This means additional costs and a delay, if it does not kill the deal. Outcome TBD!

# Appraisal Forms

## Appraisal Forms

Common appraisal forms you may come across include:

Report	Freddie Mac Form #	Fannie Mae Form #
Uniform Residential Appraisal Report	70	1004
Manufactured Home Appraisal Report	70B	1004C
Individual Condominium Unit Appraisal Report	465	1073
Individual Cooperative Interest Appraisal Report	N/A	2090
Small Residential Income Property Appraisal Report	72	1025
Appraisal Update and/or Completion Report	442	1004D
Market Conditions Addendum to the Appraisal Report	71	1004MC
Two-to-Four-Unit Residential Appraisal Field Review Report	1072	2000A
One-Unit Residential Appraisal Field Review Report	1032	2000

The following pages include highlights of key information to look for in the Uniform Residential Appraisal Report (URAR) Form 1004/Form 70.

## Uniform Residential Appraisal Report

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.

Property Address 2537 Broadway Dr City Trophy Club State TX Zip Code 76262

Borrower \_\_\_\_\_ Owner of Public Record County Denton

Legal Description THE HIGHLANDS AT TROPHY CLUB NEIGHBORHOOD 1 PH 1C1 BLK C LOT 11

Assessor's Parcel # R583407 Tax Year 2016 R.E. Taxes \$ 7,487

Neighborhood Name The Highlands At Trophy Club Map Reference FW645-Y Census Tract 0203.07

Occupant  Owner  Tenant  Vacant Special Assessments \$ 1,285  PUD HOA \$ 240  per year  per month

Property Rights Appraised  Fee Simple  Leasehold  Other (describe)

Assignment Type  Purchase Transaction  Refinance Transaction  Other (describe)

Lender/Client Red Diamond Home Loans, LLC. Address 221 East Southlake Blvd., Southlake, TX 76092

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 the appraisal?  Yes  No

Report data source(s) used, offering price(s), and date(s). DOM 48; Per NTR EIS#13448824, the subject property was originally listed

on 08/25/2016 for \$375,000. It was then lowered on 09/28/2016 to \$369,900, which is the current list price.

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. Arms length sale; The subject property is currently under contract for \$365,000. The contract includes a

residential service agreement. See Additional Comments...

Contract Price \$ 365,000 Date of Contract 10/07/2016 Is the property seller the owner of public record?  Yes  No Data Source(s) Tax Records

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: \$0;

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

Neighborhood Characteristics				One-Unit Housing Trends			One-Unit Housing		Percent Land Use %			
Location	Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Property Values	<input checked="" type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	PRICE	AGE	One-Unit	75 %	
Built-Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	Demand/Supply	<input checked="" type="checkbox"/> Shortage	<input type="checkbox"/> In Balance	<input type="checkbox"/> Over Supply	\$(000)	(yrs)	2-4 Unit	2 %	
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	175	Low	0	Multi-Family	3 %
Neighborhood Boundaries Trophy Club City Limits to the north, Southlake to the east, Hwy 114 to the south, and Roanoke to the west.								1,126	High	41	Commercial	10 %
Neighborhood Description *** See Additional Comments ***								440	Pred.	7	Other	10 %

Market Conditions (including support for the above conclusions) \*\*\* See Additional Comments \*\*\*

Dimensions 60x121x64x121 approximate Area 7513 sf Shape Rectangular View N;Res;

Specific Zoning Classification PD Zoning Description Planned Development-No lot minimum.

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

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

\*\*\* See Additional Comments \*\*\*

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	Concrete	<input checked="" type="checkbox"/>
Gas	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer	<input checked="" type="checkbox"/>	Alley	None	<input type="checkbox"/>

FEMA Special Flood Hazard Area  Yes  No FEMA Flood Zone X FEMA Map No. 48121C0515G FEMA Map Date 04/18/2011

Are the utilities and 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

There were no apparent adverse easements or encroachments noted upon inspection. A professional inspection and title

policy are recommended for proper and final determination. The value estimate is based upon the property not being

adversely affected by existence of hazardous substances or detrimental conditions.

Page 1 part 1:

1. **Subject:** provides property address, legal description, & more

2. **Contract:** addresses the appraiser's view of the sales contract, nothing anything in the sale that is not typical of the market or that would affect the negotiated price. **NOTE:**

This must be updated with any changes that occur after the initial purchase contract - so ALWAYS send your lender ANY amendments or changes ASAP.

3. **Neighborhood:** Includes property location, demand and supply of housing, comments on neighborhood and market conditions

4. **Site:** Contains info regarding zoning, off-site improvements, utilities, drainage, and flood hazard

Page 1 part 2:

**Improvements:**  
States style of home, type of foundation, and includes an exterior and interior description.

General Description		Foundation		Exterior Description materials/condition		Interior materials/condition	
Units <input checked="" type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	<input checked="" type="checkbox"/> Concrete Slab <input type="checkbox"/> Crawl Space	Foundation Walls <b>Concrete/Gd</b>		Floors <b>Crpt/Tile/Wd/Gd</b>			
# of Stories <b>1,00</b>	<input type="checkbox"/> Full Basement <input type="checkbox"/> Partial Basement	Exterior Walls <b>Brick/Wd/Stone/Gd</b>		Walls <b>Drywall/Gd</b>			
Type <input checked="" type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det/End Unit	Basement Area <b>0</b> sq. ft.	Roof Surface <b>Comp Shingle/Gd</b>		Trim/Finish <b>Wd/Paint/Gd</b>			
<input checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const	Basement Finish <b>0</b> %	Gutters & Downspouts <b>Alum/Gd</b>		Bath Floor <b>Tile/Gd</b>			
Design (Style) <b>French Cntry</b>	<input type="checkbox"/> Outside Entry/Exit <input type="checkbox"/> Sump Pump	Window Type <b>Vinyl/SH/Gd</b>		Bath Wainscot <b>Tile/Gd</b>			
Year Built <b>2009</b>	Evidence of <input type="checkbox"/> Infestation	Storm Sash/Insulated <b>Vnl/Insul/Gd</b>		Car Storage <input type="checkbox"/> None			
Effective Age (Yrs) <b>4</b>	<input type="checkbox"/> Dampness <input type="checkbox"/> Settlement	Screens <b>Mesh/Gd</b>		<input checked="" type="checkbox"/> Driveway # of Cars <b>2</b>			
Attic <input type="checkbox"/> None	Heating <input checked="" type="checkbox"/> FWA <input type="checkbox"/> HWBB <input type="checkbox"/> Radiant	Amenities <input type="checkbox"/> WoodStove(s)# <b>0</b>		Driveway Surface <b>Conc/Gd</b>			
<input checked="" type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	<input type="checkbox"/> Other <input type="checkbox"/> Fuel Gas	<input checked="" type="checkbox"/> Fireplace(s) # <b>1</b>		<input checked="" type="checkbox"/> Fence <b>Wood</b>			
<input type="checkbox"/> Floor <input type="checkbox"/> Scuttle	Cooling <input checked="" type="checkbox"/> Central Air Conditioning	<input checked="" type="checkbox"/> Patio/Deck/Covd		<input checked="" type="checkbox"/> Porch <b>Covd</b>			
<input type="checkbox"/> Finished <input type="checkbox"/> Heated	<input type="checkbox"/> Individual <input type="checkbox"/> Other	<input type="checkbox"/> Pool <b>None</b>		<input checked="" type="checkbox"/> Other <b>None</b>			
Appliances <b>P</b> Refrigerator <input checked="" type="checkbox"/> Range/Oven <input checked="" type="checkbox"/> Dishwasher <input checked="" type="checkbox"/> Disposal <input checked="" type="checkbox"/> Microwave <b>P</b> Washer/Dryer <input type="checkbox"/> Other (describe)							
Finished area <b>above</b> grade contains: <b>8</b> Rooms <b>3</b> Bedrooms <b>2,1</b> Bath(s) <b>2,225</b> Square Feet of Gross Living Area Above Grade							
Additional features (special energy efficient items, etc.) <b>*** See Additional Comments ***</b>							
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.) <b>C3;No updates in the prior 15 years;The subject is only seven years old therefore no updates were needed. The subject is in good condition and no deferred maintenance was noted. The overall design, interior room layout and traffic patterns are functionally adequate. No external obsolescence is noted. All utilities were on and all systems appeared to be working properly. See Additional Comments...</b>							
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe							
<b>The value estimate is based upon the property not being adversely affected by existence of hazardous substances or detrimental environmental conditions.</b>							
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							

**Uniform Residential Appraisal Report**

There are <u>0</u> comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ <u>0</u> to \$ <u>0</u>					
There are <u>11</u> comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ <u>343,700</u> to \$ <u>415,000</u>					
FEATURE	SUBJECT	COMPARABLE SALE # 1	COMPARABLE SALE # 2	COMPARABLE SALE # 3	
2537 Broadway Dr		2839 Exeter Dr	2543 Rose Bay Ct	2524 Broadway Dr	
Address Trophy Club, TX 76262		Trophy Club, TX 76262	Trophy Club, TX 76262	Trophy Club, TX 76262	
Proximity to Subject		0.74 miles E	0.12 miles N	0.09 miles SW	
Sale Price	\$ <u>365,000</u>	\$ <u>363,000</u>	\$ <u>385,000</u>	\$ <u>365,000</u>	
Sale Price/Gross Liv. Area	\$ <u>164.04</u> sq. ft.	\$ <u>168.60</u> sq. ft.	\$ <u>170.20</u> sq. ft.	\$ <u>165.01</u> sq. ft.	
Data Source(s)		NTREIS#13434982;DOM 3	NTREIS#13412091;DOM 49	NTREIS#13337987;DOM 1	
Verification Source(s)		Re/Max	Luxury Home Realtors	Turner Fortune Real Estate	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-)\$ Adjustment	DESCRIPTION	+(-)\$ Adjustment
Sale or Financing Concessions		ArmLth Conv;350	0	ArmLth Conv;1500	-1,500
Date of Sale/Time		s09/16;c08/16		s09/15;c08/16	
Location	N;Suburban;	N;Suburban;		N;Suburban;	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple	
Site	7513 sf	5489 sf	0	10661 sf	0
View	N;Res;	N;Res;		N;Res;	
Design (Style)	DT1:French Cntry	DT1:French Cntry		DT1:French Cntry	
Quality of Construction	Q3	Q3		Q3	
Actual Age	7	3	04	07	
Condition	C3	C3		C3	
Above Grade	Total Bdrms. Baths	Total Bdrms. Baths		Total Bdrms. Baths	
Room Count	8 3 2.1	8 4 3.0	-1,500	8 3 2.1	
Gross Living Area	2,225 sq. ft.	2,153 sq. ft.	+3,600	2,262 sq. ft.	-1,900
Basement & Finished Rooms Below Grade	0sf	0sf		0sf	
Functional Utility	Average	Average		Average	
Heating/Cooling	Forced/Central	Forced/Central		Forced/Central	
Energy Efficient Items	Insul./CF	Insul./CF		Insul./CF	
Garage/Carport	2ga2dw	2ga2dw		2ga2dw	
Porch/Patio/Deck	Covd Patio	Covd Patio		Covd Patio	
Other	FP 1	FP 1		FP 1	
Net Adjustment (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ <u>2,100</u>		<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ <u>-3,400</u>	
Adjusted Sale Price of Comparables		Net Adj. <u>0.58</u> % Gross Adj. <u>1.40</u> % \$ <u>365,100</u>		Net Adj. <u>0.88</u> % Gross Adj. <u>0.88</u> % \$ <u>381,600</u>	
I <input checked="" type="checkbox"/> did <input type="checkbox"/> did not research the sale or transfer history of the subject property and comparable sales. If not, explain					

S  
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C  
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Page 2 part 1:

**Sales Comparison Approach:**

Provides a minimum of 3 comparable closed sales required to determine market value.

A  
 C  
 H  
 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) NTREIS/Tax  
 My research  did  did not reveal any prior sales or transfers of the comparable sales for the prior year to the date of sale of the comparable sale.  
 Data Source(s) NTREIS/Tax  
 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		11/23/2015		
Price of Prior Sale/Transfer		\$343,700		
Data Source(s)	NTREIS/Tax	NTREIS#13226059/Tax	NTREIS/Tax	NTREIS/Tax
Effective Date of Data Source(s)	10/19/2016	10/19/2016	10/19/2016	10/19/2016

 Analysis of prior sale or transfer history of the subject property and comparable sales Comparable #1 sold on 11/23/2015 for \$343,700. The real estate market has improved since that time and inventory is lower. This would explain why the property sold at the higher end of the range for similar properties and the increase in value.  
 Summary of Sales Comparison Approach \*\*\*See Additional Comments\*\*\*  
 Indicated Value by Sales Comparison Approach \$ 365,000  
 R  
 E  
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 C  
 O  
 N  
 C  
 I  
 L  
 I  
 T  
 I  
 O  
 N  
 Indicated Value by: Sales Comparison Approach \$ 365,000 Cost Approach (if developed) \$ 365,100 Income Approach (if developed) \$  
 The cost approach is not applicable to the valuation of older homes and would have been deleted if not requested to be completed by the lender. \*\*\* See Additional Comments \*\*\*  
 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 \$ 365,000 , as of 10/19/2016 , which is the date of inspection and the effective date of this appraisal.

Page 2 part 2:

The rest of the Sales Comparison Approach &

Reconciliation:  
 Provides certification of appraisal and final value.

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)			
No recent and similar land sales were available. The estimated site value is based on the Abstraction/Extraction method from the sale of improved properties.			
C O S T  A P P R O A C H	ESTIMATED	<input type="checkbox"/> REPRODUCTION OR	<input checked="" type="checkbox"/> REPLACEMENT COST NEW
	Source of cost data	Marshall & Swift	
	Quality rating from cost service	Good	Effective date of cost data 09/2016
	Comments on Cost Approach (gross living area calculations, depreciation, etc.)		PP&B
	No functional or external inadequacies are noted.		Garage/Carport 458 Sq. Ft. @ \$ 35.60
	Replacement cost is derived from the Marshall & Swift Residential Cost Handbook, the appraiser's limited construction knowledge, and an exterior/interior inspection of the subject. Measuring wall area, ceiling area, roof area, area of different floor coverings, etc.		Depreciated Cost of Improvements
	*** See Additional Comments ***		'As-is' Value of Site Improvements
	Estimated Remaining Economic Life (HUD and VA only) 61 Years		Indicated Value By Cost Approach
INCOME APPROACH TO VALUE (not required by Fannie Mae)			
Estimated Monthly Market Rent \$ X Gross Rent Multiplier = \$ Indicated Value by Income Approach			
Summary of Income Approach (including support for market rent and GRM) The Income Approach has been deleted due to insufficient rental/sales data.			
P U D  I N F O R M A T I O N	PROJECT INFORMATION FOR PUDs (if applicable)		
	Is the developer/builder in control of the Homeowners' Association (HOA)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Unit type(s) <input checked="" type="checkbox"/> Detached <input type="checkbox"/> 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 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? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, date of conversion		
	Does the project contain any multi-dwelling units? <input type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s)		
	Are the units, common elements, and recreation facilities complete? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe the status of completion.		
	Are the common elements leased to or by the Homeowners' Association? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe the rental terms and options.		
	Describe common elements and recreational facilities		

Page 3:

- Cost Approach:** Shows appraiser's estimated cost of site, reproduction costs and depreciation used to determine final value if the home were newly constructed
- Income Approach:** Determines value of property using estimated monthly rent
- PUD Information:** Provides project information when the subject is part of a Planned Unit Development

This report form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory unit; including a unit in a planned unit development (PUD). This report form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.

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. 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 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, repair, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.



## Uniform Residential Appraisal Report

**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. 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 approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, 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.

## Uniform Residential Appraisal Report

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 \_\_\_\_\_  
 Company Name \_\_\_\_\_  
 Company Address \_\_\_\_\_  
 Telephone Number \_\_\_\_\_  
 Email Address \_\_\_\_\_  
 Date of Signature and Report 10/19/2016  
 Effective Date of Appraisal 10/19/2016  
 State Certification # 1334854  
 or State License # \_\_\_\_\_  
 or Other \_\_\_\_\_ State # \_\_\_\_\_  
 State TX  
 Expiration Date of Certification or License 04/30/2017

ADDRESS OF PROPERTY APPRAISED  
2537 Broadway Dr  
Trophy Club, TX 76262  
 APPRAISED VALUE OF SUBJECT PROPERTY \$ 365,000  
 LENDER/CLIENT  
 Name Integrity Appraisal Management, LLC  
 Company Name Red Diamond Home Loans, LLC  
 Company Address 221 East Southlake Blvd  
Southlake, TX 76092  
 Email Address \_\_\_\_\_

## 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 COMMENTS

Borrower or Owner

Property Address 2537 Broadway Dr

City Trophy Club

County Denton

State TX

Zip Code 76262

Lender or Client

Red Diamond Home Loans, LLC

**INTENDED USER:**

The Intended User of this appraisal report is the Lender/Client. The Intended Use is to evaluate the property that is the subject of this appraisal for a mortgage finance transaction, subject to the stated Scope of Work, purpose of the appraisal, reporting requirements of this appraisal report form, and Definition of Market Value. No additional Intended Users are identified by the appraiser.

**SCOPE OF WORK:**

The scope of work utilized by this appraiser is for the purpose of developing an opinion of value for the intended user. Also, for the purpose of decision making in regards to a mortgage transaction for the intended borrower. No other intended users were identified by the client as of the effective date of this appraisal. The scope of work involved in this assignment involved research of the applicable tax records and listing information on the subject, and any considered comparisons for the purpose of identifying sales and listing histories, ownership information, features and information utilized in this report for identification and comparison purposes. Furthermore, the appraiser reviewed the documents provided by the client, borrower and any other interested parties in the form of contracts, lease agreements, surveys, permits, ect...for the purposes of analysis and clarification of information utilized in the development of the appraisers opinion of value. A visual inspection of the interior and exterior of the subject property was performed on areas that were accessible. This inspection was for the purpose of identifying key features of the property, verification of information provided to the appraiser by the interested parties and for documentation collected during the appraisal process and for the identification of physical deficiencies that may potentially exist on the property. Physical deficiencies may or may not be present in the subject property. A visual inspection of the areas observable from the street of the considered comparables was also carried out during the appraisal process. Any physical deficiencies observed during this visual inspection of the subject property are noted elsewhere in this report. It should be noted that the visual inspection is for the purpose only of developing an opinion of value by the appraiser. Missed deficiencies in areas not observable by defects in systems that include, but are not limited to, the foundation and structure, plumbing, electrical systems, HVAC system and the environment. The scope of work by the appraiser is for the purpose of developing and opinion of value and should not be considered a substitute for an inspection by an expert in these fields relating to identification and correction of physical deficiencies that may be present in the subject property. Therefore, the lender/client, the borrower and any other interested parties may wish to consult the services of experts in the related fields to ensure the condition of the property in regards to physical deficiencies that are not readily observable during a visual inspection. It should be noted that any such condition found present in the subject may or may not have an influence on the opinion of value developed by the appraiser based upon the nature, extent and cost to cure of any discovered physical deficiencies. All information collected and developed by the appraiser as part of the development of the opinion of value on the subject property is maintained in the appraisers work file. The key information, analysis and results are included as part of this appraisal in order for the identified user to evaluate the subject property for a mortgage finance transaction. Use of this report by other parties and for other purposes is not intended by the appraiser. Parties other than the original client and that clients targeted funding source are advised that the scope of work utilized and the analysis and resulting appraisal have been undertaken within the identified user's policies and underwriting guidelines. Any other party which relies on this appraisal report in making a lending decision is hereby advised that their policies and underwriting guidelines may differ from those of the user named in this report and are advised that the scope of work utilized and the analysis and resulting appraisal have been undertaken within the identified user's policies and underwriting guidelines. Any other party which relies on this appraisal report in making a lending decision is hereby advised that their policies and underwriting guidelines may differ from those of the user named in this report and are cautioned that they rely on this appraisal report at their own risk for that reason. Furthermore, the appraiser is not obligated, nor permitted per USPAP, to discuss, acknowledge, answer or reply to any questions from anyone other than the identified user in this report. The reliance on this appraisal report by the borrower(s) is strictly limited to its use as part of the decision making process by the lender for a mortgage finance transaction.

ADDITIONAL COMMENTS  
Page 2

Borrower or Owner

Property Address 2537 Broadway Dr

City Trophy Club

County Denton

State TX

Zip Code 76262

Lender or Client

Red Diamond Home Loans, L.L.C.

**ANALYSIS OF SALE CONTRACT**

The contract included a non-realty items addendum which indicates the mounted speakers in living room and on back porch are included at no additional fee. The speakers are mounted, therefore considered a fixture and part of the real estate. This typically conveys with the home unless otherwise excluded. The fully executed contract, all addendum, attachments, etc. consist of 13 pages and all were reviewed by the appraiser. The contract is a TREC form and typical for the area. No personal property was included in the opinion of value.

**NEIGHBORHOOD DESCRIPTION**

The subject neighborhood is located in Trophy Club, Texas, approximately 20 to 25 miles northeast of the Fort Worth Central Business District. Primary access to the neighborhood is provided by State Highway 114 located within two mile of the subject property. The neighborhood has adequate convenience to employment, shopping, restaurants, recreational facilities, and utilities. The subject property is located in a master planned community known as Trophy Club. Trophy Club Golf Club, which is located within the subject neighborhood, provides recreational facilities to its members. The neighborhood topography is characterized by generally flat to rolling terrain with natural and professional landscaping adding to the aesthetic appeal of the the area. Residences in the neighborhood are approximately new to 41 years old that have been adequately maintained and considered to be in average condition. Typical properties within the subject's neighborhood are of average to luxury quality brick, stone, and/or stucco construction. The area is served by the Northwest Independent School District. At the time of the appraisal, no adverse conditions were noted.

"Other" % land use is vacant/undeveloped land, parks, greenbelts, waterways, etc.. This does not have a negative affect on marketability.

^The estimated market value is below the predominant value stated for the subject neighborhood. However, this is not considered to affect the marketability or the appraisal process of the subject property as homes do exist in the subject's market area which are similar to the subject in value and/or gross living area. The subject is not under improved for the area.

**MARKET CONDITIONS**

The supply and demand of the subject's neighborhood is considered to be a shortage. Per NTRERIS, there are currently 53 active listings within the subject's neighborhood. During the previous three month period there have been 100 sales, which would be an absorption rate of 33.33 properties per month. Therefore, there is a 1.59 month supply of housing. The property values of the subject's immediate area appear to be stable. Based on data analyzed in this appraisal report, a reasonable marketing period for residential property is under 3 months given the current market conditions. Based on data analyzed in this appraisal report, a reasonable exposure period for residential property is under 3 months given the current market conditions. Per NTRERIS, the median days on market for sold properties during the previous 3 month period was 21 days. Note: This information is based on the subject's neighborhood as a whole (i.e., all residential properties), not on the segment considered comparable to the subject. See the Market Condition Addendum for information specifically pertaining to the subject. One-Unit Housing Trends are derived from the Market Condition Addendum when sufficient data is available. The subject is considered a typical and marketable property for the area.

**HIGHEST AND BEST USE**

The procedure utilized in this report to estimate highest and best use of the subject site was to consider, in sequence, the site's possible uses, its legal uses, its feasible uses, and finally the maximally productive use. Data collected and analyzed for use in the neighborhood analysis and particularly the site analysis was useful in arriving at a final conclusion. Upon considering the uses that are physically possible, legally permissible,

## ADDITIONAL COMMENTS

Page 3

Borrower or Owner

Property Address 2537 Broadway Dr

City Trophy Club County Denton

State TX

Zip Code 76262

Lender or Client

Red Diamond Home Loans, LLC

financially feasible, and maximally productive, it is our opinion that the highest and best use, as if vacant, is for a single-family development. As improved, the highest and best use is for continued use as a single-family residence.

**ADDITIONAL FEATURES**

INTERIOR: Ceiling fans, 1-fireplace, granite/marble/natural marble vanities, decorative paint, raised ceilings, granite counters, tile backsplash, 2" blinds, jacuzzi tub, carpet/tile/wood flooring, crown/chair molding, custom fixtures/cabinets, stainless steel appliances, heavy textures. EXTERIOR: Landscaping, covered porch, covered patio, wood fence, exterior lighting, sprinkler system, 2-car garage.

**PROPERTY CONDITION**

The subject's GLA (2225 sf) is larger than indicated in public record (2212 sf). This is within a typical variance for the area and no additions were noted.

**SALES COMPARISON APPROACH**

Each comparable is located within the subject's neighborhood/marketing area. Comparables #1, #2, and #3 transpired within desired guidelines of the last six months. Comparable #4 is a listing, however was not adjusted for marketing as SP/LP ratios are currently 100%. Comparable #1 had a small seller's contribution of \$350. This was not considered to have affected the sales price and no adjustment was deemed necessary. Comparables #2 and #3 had large seller's contributions and were adjusted downward for their sellers contribution. Each comparable was considered similar in quality of construction, condition, location, design, age, and appeals to a similar clientele. Additional adjustments for differences in gross living area and bath count were made accordingly. The gross living area adjustment was based on approximately \$50/SF difference between the comparables utilized and the subject property. The bath count adjustment was based on \$3,000 per full bath and \$1,500 per half bath, where applicable. The adjusted price range of the comparable sales range from \$360,700 to \$381,600. The adjusted range in value was approximately 5.8% which is within the range of desired guidelines and was considered acceptable due to the various factors which affect real estate values. Consideration was accorded each sale in the final value estimate, with the most weight given to comparables #1 and #2 as they were the most recent sales.

PUD Info: Legal name-The Highlands HOA. Dues are \$240 annually or \$20 monthly. No atypical property rights were noted. Common elements include a decorative entrance and perimeter fence. The common elements were in good condition and typical for the area. All of the comparables utilized are located within the subject's PUD.

**RECONCILIATION**

No weight was given to the cost approach in the final value estimate. The subject's area is predominately owner occupied. The Income Approach has been deleted due to insufficient rental/sales data and was not considered applicable for non-income properties.

**COMMENTS ON COST APPROACH**

is beyond the appraiser's scope of work. Many items are calculated according to "base", "allowance", or estimated by the appraiser. The appraiser is not actively involved in the day to day building and/or cost changes. Costs vary significantly from builder to builder. The cost approach is an estimate only, not an actual construction cost. Depreciation is calculated based on estimated effective age. The user of this report is notified that the Cost Approach is not necessary to develop an appropriate estimate of market value. The cost approach is not applicable to the valuation of older homes and would have been deleted if not requested to be completed by the lender. No weight was given to the cost approach in the final value estimate.

**USPAP Compliance Addendum**

Loan#000224094

File No. 5087CP

Borrower/Client			
Property Address: 2537 Broadway Dr			
City: Trophy Club	County: Denton	State: TX	Zip Code: 76262
Lender/Client: Red Diamond Home Loans, LLC			

**APPRAISAL AND REPORT IDENTIFICATION**

This Appraisal Report is one of the following types:

**Appraisal Report**  
**Restricted Appraisal Report**

This report was prepared in accordance with the requirements of the Appraisal Report option of USPAP Standards Rule 2-2(a).  
This report was prepared in accordance with the requirements of the Restricted Appraisal Report option of USPAP Standards Rule 2-2(b). The intended user of this report is limited to the identified client. This is a Restricted Appraisal Report and the rationale for how the appraiser arrived at the opinions and conclusions set forth in the report may not be understood properly without the additional information in the appraiser's workfile.

**ADDITIONAL CERTIFICATIONS**

I certify that, to the best of my knowledge and belief:

- \* The statements of fact contained in this report are true and correct.
- \* The report analyses, opinions, and conclusions are limited only by the reported assumptions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- \* I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or specified) personal interest with respect to the parties involved.
- \* I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
- \* My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- \* My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- \* My analyses, opinions, and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- \* This appraisal report was prepared in accordance with the requirements of Title XI of FIRREA and any implementing regulations.

**PRIOR SERVICES**

- I have **NOT** performed services, as an appraiser or in any other capacity, regarding the property that is the subject of the report within the three-year period immediately preceding acceptance of this assignment.  
 I **HAVE** performed services, as an appraiser or in another capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Those services are described in the comments below.

**PROPERTY INSPECTION**

- I have **NOT** made a personal inspection of the property that is the subject of this report.  
 I **HAVE** made a personal inspection of the property that is the subject of this report.

**APPRAISAL ASSISTANCE**

Unless otherwise noted, no one provided significant real property appraisal assistance to the person signing this certification. If anyone did provide significant assistance, they are hereby identified along with a summary of the extent of the assistance provided in the report.

**ADDITIONAL COMMENTS**

Additional USPAP related issues requiring disclosure and/or any state mandated requirements:

**MARKETING TIME AND EXPOSURE TIME FOR THE SUBJECT PROPERTY**

- A reasonable marketing time for the subject property is 1-90 day(s) utilizing market conditions pertinent to the appraisal assignment.  
 A reasonable exposure time for the subject property is 1-90 day(s).

**APPRAISER**

**SUPERVISORY APPRAISER (ONLY IF REQUIRED)**

	Signature
	Name
	Date of Signature
	State Certification #
	or State License #
	State
	Expiration Date of Certification or License

Effective Date of Appraisal: 10/19/2016  Did Not  Exterior-only from Street  Interior and Exterior

**Borrower**

Property Address	2537 Broadway Dr		
City	Trophy Club	County	Denton
Lender/Client	Red Diamond Home Loans, L.L.C.	Address	221 East Southlake Blvd., Southlake, TX 76092
		State	TX
		Zip Code	76262

**Requirements - Condition and Quality Ratings Usage**

Appraisers must utilize the following standardized conditions and quality ratings within the appraisal report.

**Condition Ratings and Definitions**

**C1** - The improvements have been very recently constructed and have not previously been occupied. The entire structure and all components are new and the dwelling features no physical depreciation.

*\*Note: Newly constructed improvements that feature recycled materials and/or components can be considered new dwellings provided that the dwelling is placed on a 100% new foundation and recycled materials and the recycled components have been rehabilitated/re-manufactured into like-new condition. Recently constructed improvements that have not been previously occupied are not considered "new" if they have significant physical depreciation (i.e., newly constructed dwellings that have been vacant for an extended period of time without adequate maintenance or upkeep).*

**C2** - The improvements feature no deferred maintenance, little or no physical depreciation, and require no repairs. Virtually all building components are new or have been recently repaired, refinished, or rehabilitated. All costed components and finished have been updated and/or replaced with components that meet current standards. Dwellings in this category either are almost new or have been recently completely renovated and are similar in condition to new construction.

*\*Note: The improvements represent a relatively new property that is well maintained with no deferred maintenance and little or no physical depreciation, or an older property that has been recently completely renovated.*

**C3** - The improvements are well maintained and feature limited physical depreciation due to normal wear and tear, some components, but not every major building component, may be updated or recently rehabilitated. The structure has been well maintained.

*\*Note: The improvement is in its first-cycle of replacing short-lived building components (appliances, floor coverings, HVAC, etc.) and is being well maintained its estimated effective age is less than its actual age. It also may reflect a property in which the majority of short-lived building components have been replaced but not to the level of a complete renovation.*

**C4** - The improvements feature some minor deferred maintenance and physical deterioration due to normal wear and tear. The dwelling has been adequately maintained and requires only minimal repairs to building components/mechanical systems and cosmetic repairs. All major building components have been adequately maintained and are functionally adequate.

*\*Note: The estimated effective age may be close to or equal to its actual age. It reflects a property in which some of the short-lived building components have been replaced, and some short-lived building components are at or near the end of their physical life expectancy; however, they still function adequately. Most minor repairs have been addressed on an ongoing basis resulting in an adequately maintained property.*

**C5** - The improvements feature obvious deferred maintenance and are in need of some significant repairs. Some building components need repairs, rehabilitation, or updating. The functional utility and overall livability is somewhat diminished due to condition, but the dwelling remains useable and functional as a residence.

*\*Note: Some significant repairs are needed to the improvements due to the lack of adequate maintenance. It reflects a property in which many of its short-lived building components are at the end of or have exceeded their physical life expectancy but remain functional.*

**C6** - The improvements have substantial damage or deferred maintenance with deficiencies or defects that are severe enough to affect the safety, soundness, or structural integrity of the improvements. The improvements are in need of substantial repair and rehabilitation, including many or most major components.

*\*Note: Substantial repairs are needed to the improvements due to the lack of adequate maintenance or property damage. It reflects a property with conditions severe enough to affect the safety, soundness, or structural integrity of the improvements.*

**Quality Ratings and Definitions**

**Q1** - Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified use. Such residences typically are constructed from detailed architectural plans and specifications and feature an exceptionally high level of workmanship and exceptionally high-grade materials throughout the interior and exterior of the structure. The design features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements. The workmanship, materials, and finishes throughout the dwelling are exceptionally high quality.

**Q2** - Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans. The design features detailed high-quality exterior ornamentation, high-quality interior refinements, and detail. The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality.

**Q3** - Dwellings with this quality rating are residences of higher quality built from individual or readily available design plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation and interiors that are well finished. The workmanship exceeds acceptable standards and many materials and finishes throughout the dwelling have been upgraded from "stock" standards.

**Q4** - Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized and the design includes adequate fenestration and some exterior ornamentation and interior refinements. Materials, workmanship, finish, and equipment are of stock or builder grade and may feature some upgrades.

**Q5** - Dwellings with this quality rating feature economy of construction and basic functionality as main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration and basic finishes with minimal exterior ornamentation and limited interior detail. These dwellings meet minimum building codes and are constructed with inexpensive, stock materials with limited refinements and upgrades.

**Q6** - Dwellings with this quality rating are of basic quality and lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, and other mechanical systems and equipment may be minimal or non-existent. Older dwellings may feature one or more substantial non-conforming additions to the original structure.

**Definitions of Not Updated, Updated, and Remodeled**

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

**Updated** - The area of the home has been modified to meet current market expectations. These modifications are limited in terms of both scope and cost. An updated area of the home should have an improved look and feel, or functional utility. Changes that constitute updates include refurbishment and/or replacing components to meet existing market expectations. Updates do not include significant alterations to the existing structure.

**Remodeled** - Significant finish and/or structural changes have been made that increase utility and appeal through complete replacement and/or expansion. A remodeled area reflects fundamental changes that include multiple alterations. These alterations may include some or all of the following: replacement of a major component (cabinets), bathtub, or bathroom tile; relocation of plumbing/gas fixtures/appliances; significant structural alterations (relocating walls and/or the addition of square footage). This would include a complete gutting and rebuild.

**Explanation of Bathroom Count**

Three-quarter baths are counted as a full bath in all cases. Quarter baths (baths that feature only a toilet) are not included in the bathroom count. The number of full and half baths is reported by separating the two values using a period, where the full bath count is represented to the left of the period and the half bath count is represented to the right of the period.

Example: 3.2 indicates three full baths and two half baths.



Abbreviation	Full Name	Appropriate Fields
A	Advertise	Location & View
ac	Acres	Area, Site
AdjPtk	Adjacent to Park	Location
AdjPwr	Adjacent to Power Lines	Location
ArmlLh	Arms Length Sale	Sale or Financing Concessions
AT	Attached Structure	Design (Style)
B	Beneficial	Location & View
ba	Bathroom(s)	Basement & Finished Rooms Below Grade
br	Bedroom	Basement & Finished Rooms Below Grade
BuyRd	Busy Road	Location
c	Contracted Date	Date of Sale/Time
Cash	Cash	Sale or Financing Concessions
Comm	Commercial Influence	Location
Conv	Conventional	Sale or Financing Concessions
cp	Carport	Garage/Carport
CrtOrd	Court Ordered Sale	Sale or Financing Concession
CySky	City View Skyline View	View
CyStr	City Street View	View
cv	Covered	Garage/Carport
DOM	Days On Market	Date Sources
DT	Detached Structure	Design (style)
dw	Driveway	Garage/Carport
e	Expiration Date	Date of Sale/Time
Estate	Estate Sale	Sale or Financing Concessions
FHA	Federal Housing Administration	Sale or Financing Concessions
G	Garage	Garage/Carport
gb	Attached Garage	Garage/Carport
gbt	Built-in Garage	Garage/Carport
gd	Detached Garage	Garage/Carport
GCes	Golf Course	Location
GCvw	Golf Course View	View
GR	Garden	Design (Style)
HR	High Rise	Design (Style)
in	Interior Only Stairs	Basement & Finished Rooms Below Grade
Ind	Industrial	Location & View
Listing	Listing	Sale or Financing Concessions
Lndfl	Landfill	Location
LndSght	Limited Sight	View
MR	Mid Rise	Design (Style)
Mtn	Mountain View	View
N	Neutral	Location & View
NonArm	Non-Arms Length Sale	Sale or Financing Concessions
o	Other	Basement & Finished Rooms Below Grade
O	Other	Design (Style)
op	Open	Garage/Carport
Ptk	Park View	View
Past	Pastoral View	View
PubTrn	Public Transportation	Location
PwrLn	Power Lines	View
Relo	Relocation Sale	Sale or Financing Concessions
REO	REO Sale	Sale or Financing Concessions
Res	Residential	Location & View
RH	USDA - Rural Housing	Sale or Financing Concessions
rr	Recreational (Rac) Room	Basement & Finished Rooms Below Grade
s	Settlement Date	Date of Sale/Time
sf	Square Feet	Area, Site, Basement
Short	Short Sale	Sale or Financing Concessions
Unkn	Unknown	Date of Sale/Time
VA	Veterans Administration	Sale or Financing Concessions
w	Withdraw Date	Date of Sale/Time
wc	Walk Out Basement	Basement & Finished Rooms Below Grade
Woods	Woods View	View
Wr	Water View	View
WFR	Water Frontage	Location
wu	Walk Up Basement	Basement & Finished Rooms Below Grade

## Market Conditions Addendum to the Appraisal Report

Loan#000224094

File No. 5087CP

The purpose of this addendum is to provide the lender/client with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood. This is a required addendum for all appraisal reports with an effective date on or after April 1, 2009.

Property Address **2537 Broadway Dr** City **Trophy Club** State **TX** ZIP Code **76262**

Borrower

**Instructions:** The appraiser must use the information required on this form as the basis for his/her conclusions, and must provide support for those conclusions, regarding housing trends and overall market conditions as reported in the Neighborhood section of the appraisal report form. The appraiser must fill in all the information to the extent it is available and reliable and must provide analysis as indicated below. If any required data is unavailable or is considered unreliable, the appraiser must provide an explanation. It is recognized that not all data sources will be able to provide data for the shaded areas below; if it is available, however, the appraiser must include the data in the analysis. If data sources provide the required information as an average instead of the median, the appraiser should report the available figure and identify it as an average. Sales and listings must be properties that compete with the subject property, determined by applying the criteria that would be used by a prospective buyer of the subject property. The appraiser must explain any anomalies in the data, such as seasonal markets, new construction, foreclosures, etc.

Inventory Analysis	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)	3	3	5	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining
Absorption Rate (Total Sales/Months)	0.50	1.00	1.67	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining
Total # of Comparable Active Listings	0	0	0	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Months of Housing Supply (Total Listings/Ab.Rate)	0.00	0.00	0.00	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Sale & List Price, DOM, Sale/List %	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Median Comparable Sale Price	354,000	360,000	363,000	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining
Median Comparable Sales Days on Market	17	27	8	<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Comparable List Price	0	0	0	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining
Median Comparable Listings Days on Market	0	0	0	<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Sale Price as % of List Price	98.47	100.03	100.00	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining
Seller-(developer, builder, etc.) paid financial assistance prevalent?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing

Explain in detail the seller concessions trends for the past 12 months (e.g., seller contributions increased from 3% to 5%, increasing use of buydowns, closing costs, condo fees, options, etc.). **Seller concessions are not prevalent for the subject's market.**

Are foreclosure sales (REO sales) a factor in the market?  Yes  No If yes, explain (including the trends in listings and sales of foreclosed properties).

Cite data sources for above information. **NTRUIS, local realtors, public records, and appraisal files.**

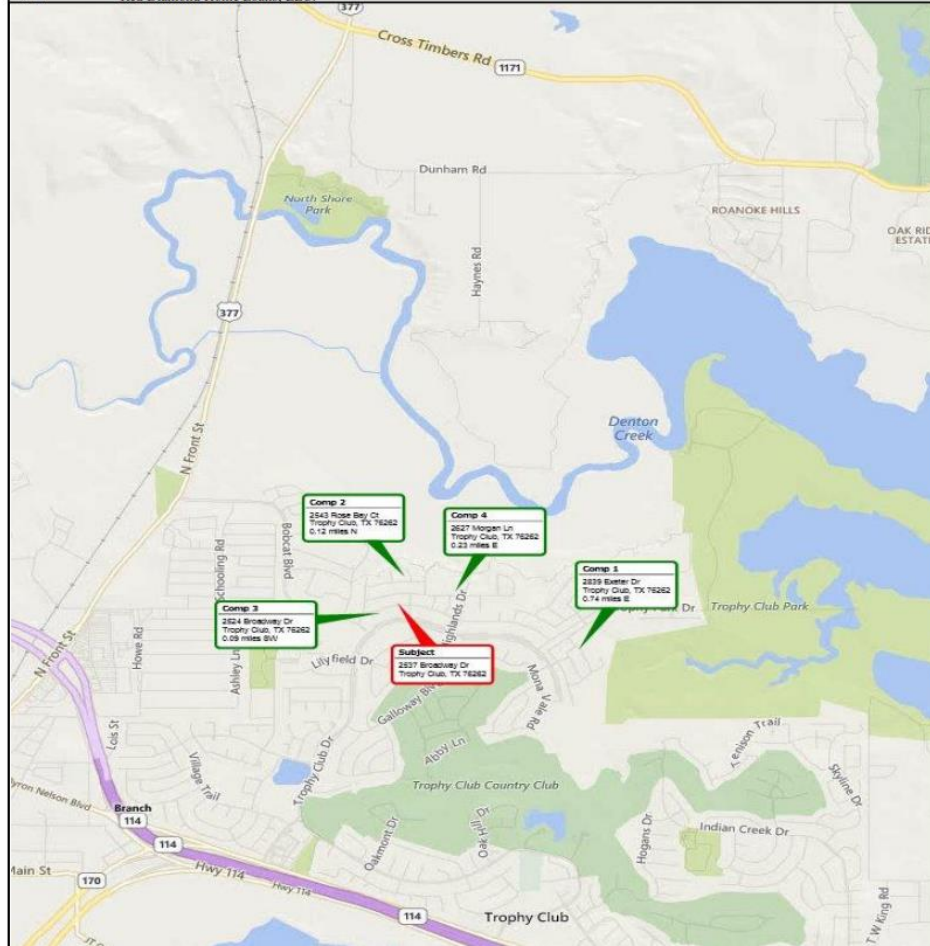
Summarize the above information as support for your conclusions in the Neighborhood section of the appraisal report form. If you used any additional information, such as an analysis of pending sales and/or expired and withdrawn listings, to formulate your conclusions, provide both an explanation and support for your conclusions.

**The neighborhood section addresses the neighborhood as a whole (i.e., all properties). This addendum addresses comparable properties relative to the subject. The subject is located in an area with limited sales activity and limited data. The data available was insufficient for a credible result. Based on analysis of the neighborhood for the prior 12 months, the appraiser's knowledge of the area, and giving consideration to seasonal patterns, property values are considered to be stable, the supply & demand a shortage, and exposure times typically under three months. Note: The following data (number of active listing, months of housing supply, median list price, and median listings DOM) for months 7-12 and 4-6 is not available due to the limitations of the local MLS system.**

MARKET RESEARCH & ANALYSIS

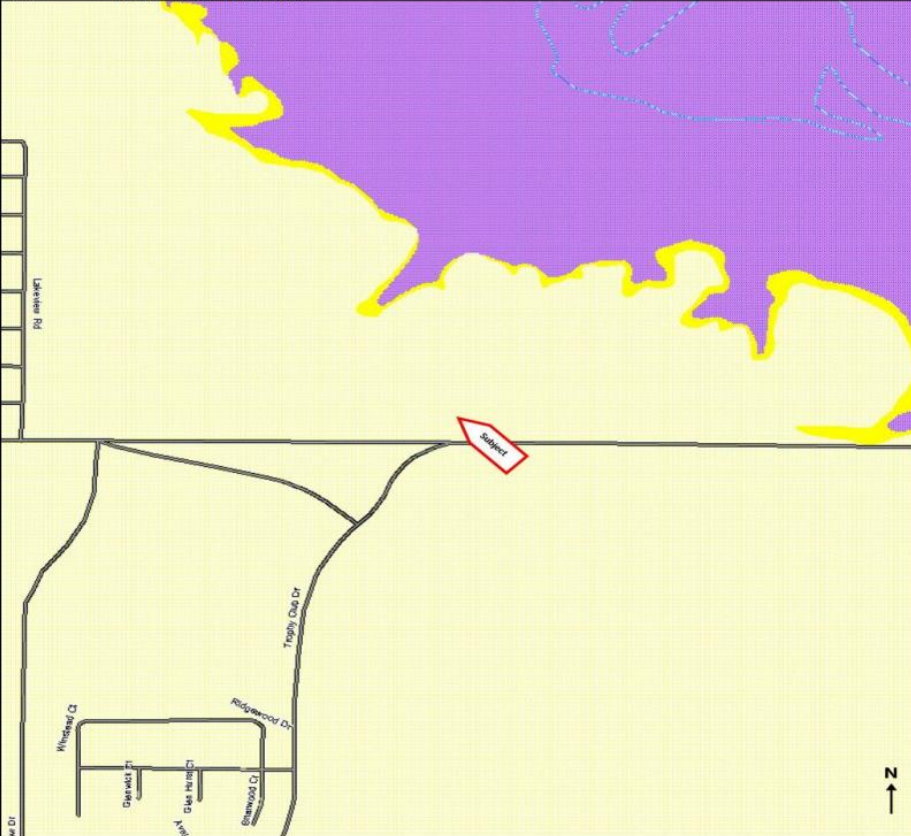
### Location Map

Borrower or Owner			
Property Address	2537 Broadway Dr		
City	Trophy Club	County	Denton
		State	TX
		Zip Code	76262
Client	Red Diamond Home Loans, LLC		



**FLOOD MAP**

Borrower or Owner  
 Property Address **2537 Broadway Dr**  
 City **Trophy Club** County **Denton** State **TX** Zip Code **76262**  
 Client **Red Diamond Home Loans, L.L.C.**



**Flood Zones**

	Areas inundated by 500-year flooding		Floodway areas
	Areas outside of the 100- and 500-year flood plains		Floodway areas with velocity hazard
	Areas inundated by 100-year flooding		Areas of undetermined but possible flooding hazards
	Areas inundated by 100-year flooding with velocity hazard		Areas not mapped on any published FIRM

**Flood Zones**

	Areas inundated by 500-year flooding		Floodway areas
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	Areas inundated by 100-year flooding with velocity hazard		Areas not mapped on any published FIRM

**Flood Zone Determination**

**Latitude:** 33.015656  
**Longitude:** -97.198675  
**Community Name:** TROPHY CLUB, TOWN OF  
**Community:** 481606  
**SFHA (Flood Zone):** No  
**Within 250 ft. of multiple flood zones:** No  
**Zone:** X  
**Panel:** 0515G  
**FIPS Code:** 48121

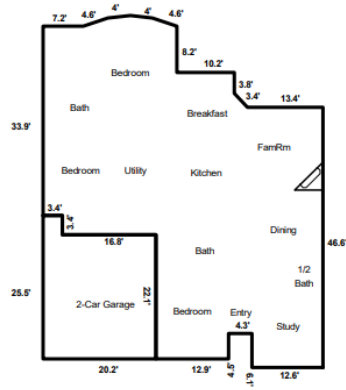
**Map #:** 48121CD515G  
**Panel Date:** 04/18/2011  
**Census Tract:** 0203.07

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**SKETCH ADDENDUM**

File No. 308 / CP

Borrower or Owner				
Property Address	2537 Broadway Dr			
City	Trophy Club	County	Denton	State TX
Client	Red Diamond Home Loans, LLC.			
				Zip Code 76262



SUMMARY	SQ FT AREA	PERIMETER	AREA CALCULATION DETAILS	
Living Area			4.0 X	0.5 = 2.0
First Floor	2225	230	12.4 X	1.5 = 18.6
Garage			24.0 X	8.2 = 196.8
Garage	458	91	34.2 X	3.8 = 129.9
			35.4 X	2.4 = 84.9
			50.0 X	19.5 = 975.0
			46.6 X	3.4 = 158.4
			29.8 X	17.6 = 524.4
			12.6 X	6.1 = 76.8
			12.9 X	4.5 = 58.0
			<b>Total</b>	<b>2224.8</b>

**PHOTOGRAPH ADDENDUM**

Borrower or Owner  
Property Address 2537 Broadway Dr  
City Trophy Club County Denton State TX Zip Code 76262  
Client Red Diamond Home Loans, LLC.



**FRONT VIEW OF  
SUBJECT PROPERTY**



**REAR VIEW OF  
SUBJECT PROPERTY**



**STREET SCENE OF  
SUBJECT PROPERTY**

## More Examples

See Azle and Grapevine new construction appraisals that came in below value.

And now, Q&A!

