All appraisal reports completed for LandSafe and Bank of America must disclose within the appraisal any observed health and safety conditions or other potential adverse risk factors. This circular provides guidance and requirements for another property condition called “clutter”.

The conditioning requirements for health and safety items may vary for each appraisal product based on loan program or loan type. LandSafe appraisers must be familiar with Government Sponsored Enterprise (GSEs) (Fannie Mae and Freddie Mac) or Housing and Urban Development (HUD) health and safety requirements, and/or minimum property standards and requirements.

Certain issues in a property valuation may pose risk, such as amounts of personal items that obscure the property inspection may affect value/marketability of the subject property and may also impact the health and safety of the occupants.

This circular provides guidance for appraisers who accept and complete LandSafe appraisal assignments. It also provides guidance for those completing any type of Pre-Delivery Quality Control (PDQC) review of the appraisal to ensure health and safety concerns are properly reported and appropriately conditioned as required per the Engagement Letter and/or Scope of Work.

**Properties with “Clutter”**

**Fair Housing Considerations**

In the event that the subject contains large volumes or amounts of personal property, which prohibit the appraiser from reasonably inspecting the property and determining the overall quality and property condition, the appraiser should be mindful of Fair Housing considerations (particularly the prohibition against discrimination on the basis of handicap/disability) and refer to the contents solely as “clutter”. The appraiser must only use objective descriptions of the physical condition of the property and avoid subjective assessments of the property (e.g., avoid terms such as “excessive junk” or “garbage”). Moreover, the appraiser must avoid describing the presumed characteristics of the occupants (e.g., avoid terms such as “hoarder”).

**Inspection Process**

Inspections completed in accordance with these guidelines, applies to 1 to 4 unit dwellings, is visual and requires a written explanation that is not technically exhaustive. The appraiser should complete the inspection of the entire subject property, noting in the appraisal narrative comments, any such building areas and components affected or in question and any condition issues, including any health and safety issues.
Properties with “Clutter”

The appraiser is not expected to perform extraordinary efforts during the inspection process such as removing or moving personal items that are prohibiting full view of the subject’s major features.

**Inspection Impediment**

It is the homeowner/seller’s responsibility to provide clear access to all areas of the property. The appraiser is not required to disturb insulation, move personal items, furniture, equipment, plant life, soil, snow, ice or debris that obstructs access or visibility. In the event the appraiser is barred or unable to visually evaluate the improvements in their entirety, complete the appraisal based upon the Intended Use and Intended User in the Engagement Letter.

**Photograph Examples of Clutter**

Safety example of excessive clutter would be a partially or fully blocked stairwell or fire exit doors and windows.
Properties with “Clutter”

Inspection impediment of floors and property condition.

If the appraiser concludes that the subject property has health or safety issues including personal clutter, the appraiser may proceed with the appraisal assignment. The subject’s condition rating should be consistent with the interior photographs as presented within the appraisal report.

In the case of purchase transactions, the appraisal should always be made “subject to” removal of all personal property, not included within the purchase contract, and the appraiser should be willing to reinspect the property.

For refinance transactions, the appraiser can either perform the appraisal “as is” based on an extraordinary assumption that there is no significant impact to the property’s marketability and physical condition based on the inspection performed, or “subject to” removal of clutter or personal property which inhibits a full interior inspection of the subject.

For Servicing appraisals: See FHA Short Sale and REO guidance below. Below are some examples of how conditioning of the appraisal can vary by appraisal product, loan type and sub-loan type. It is important to read the Engagement Letter for Intended Use (e.g., loan type or loan servicing).
Properties with “Clutter”

**FHA and FHA Short Sale – Health and safety** items must be made “subject to repair” and/or inspections if required to determine the extent of the necessary repairs. The property must meet minimum FHA property requirements.

**REO – Health and safety** items should be noted in the improvement description, along with photographs, and estimate of repairs in the REO Addendum with the appraisal made “as is”. Adjustments for repairs, including health and safety items, such as cluttering should be a labeled as a separate line item in the comparable grid analysis.

**HELOC** – The subject property must be free of any health and safety items for the appraisal to be completed. If a health and safety issue exists, the appraiser must follow the Red Flag Notification Procedures in the Engagement Letter and contact the LandSafe Scheduler before proceeding.

In “subject to” appraisals the lender with will arrange for a re-inspection via an Appraisal Update and/or Completion Report / 1004D in order for the appraiser to determine if the health and safety issues, as indicated in the original appraisal, have been completed. Any reinspeion should include photograph exhibits.

**Unacceptable Appraisal Practices – UAPs**

LandSafe will not accept appraisals that are misleading (through omission or commission), discriminatory, biased or falsified. Improper reporting or conditioning of health and safety items can result in Unacceptable Appraisal Practices such as the following:

UAP #4 a — Subject property physical characteristics not appropriately analyzed and reported:

a) Property conditions, obsolescence (internal or external), or functional utility significantly impacting marketability or value are not adequately analyzed and disclosed.

b) Improvement additions are not adequately addressed with regard to legal use, permitting, or impact on value and marketability.

c) “As Is” value concluded, when subject property is not livable due to health, safety, or structural soundness issues (does not apply to REO assignments).

**Resolution Customer Assistance Team**

If you have questions regarding health and safety reporting requirements, contact the Resolution Customer Assistance Team at 1.800.341.6033.

**Resources**

www.Fannie Mae Selling Guide; B4-1.4-15, page 552.

HUD-FHA RESIDENTIAL APPRAISAL REQUIREMENTS 4105.2 App. D

HUD Mortgagee Letter 2005-ML-48

Landsafe Circular: 2012-22-E effective 8/14/12