



Fannie Mae's updates to its Selling Guide, effective **March 1, 2025**, emphasize rigor, objectivity, and supportable analysis in appraisals. These revisions address the analysis of market conditions, adjustments to comparable sales, and the foundation of appraiser conclusions. Here's what you need to know.

KEY CHANGES AND EXPECTATIONS

Market Analysis and Adjustments to Comparable Sales

Fannie Mae has reinforced its requirements for time and market-based adjustments:

- 1. Adjustments Must Be Supported:** The appraisal report must include a clear market analysis that supports the indicated trends and any adjustments to comparable sales (**B4-1.3-0.9: Adjustments to Comparable Sales**). Unsupported assumptions or adjustments are not acceptable.
- 2. Objective Analysis Over Subjective Judgment:** The reconciliation process now explicitly prioritizes an appraiser's objective analysis over personal judgment (**B4-1.3-11: Valuation Analysis and Reconciliation**).

Reflecting Property Value Trends

The appraisal report must document property value trends based on at least 12 months of data (**B4-1.3-03: Neighborhood Section of the Appraisal Report**). Acceptable data sources include:

- **MLS (Multiple Listing Service)** reports,
- **Home Price Indices (HPI)**,
- **Statistical models**,
- **Demonstrated Paired Sales** and
- **Other reliable sources.**

Appraisers should emphasize the overall movement of the market, ensuring the analysis aligns with observed data and trends.

Choosing Comparable Sales and Market Area

Guidelines for selecting comparable sales have been clarified:

- Comparable sales must be drawn from the defined "market area," ensuring they reflect relevant market conditions (**B4-1.3-08: Comparable Sales**).
- Appraisal commentary must explain the rationale for selection, with market-based justifications.

Emphasis on Time Adjustments

Fannie Mae highlighted the importance of time adjustments:

- Market condition adjustments (e.g., time adjustments) are mandatory if supported by data.
- A provided illustration in the Selling Guide offers guidance on analyzing time adjustments in relation to value trends, although appraisers are not required to include such illustrations in their reports.

Eliminating Unsupported Subjectivity

A central theme of these updates is the need for appraisals to be informed by facts and logic rather than assumptions or subjective judgments. Appraisals must be backed by robust evidence and clear reasoning.

There will be emphasis on AMC quality control, lender review process, and underwriting to assess the appraisal's market conditions. This is to ensure appraisers have appropriately and accurately documented market conditions and adjustments and are following Fannie Mae's requirements.

Practical Implications

Appraisers should take a methodical approach to account for nonlinear trends and market dynamics. For example, specific time adjustments should:

- Reflect individual market changes between the contract and effective appraisal dates, rather than applying uniform adjustments.
- Be supported by detailed market analysis and verifiable data sources.
- The 1004MC is not a required form by Fannie Mae, although most of our clients require this form. As the 1004MC form exhibits 3 differing time segments within a 12-month period, an appraiser must provide additional data that is representative of the market changes.

Fannie Mae Illustration for Differing Market Condition Adjustments:

SOURCE:
<https://singlefamily.fanniemae.com/media/40241/display>



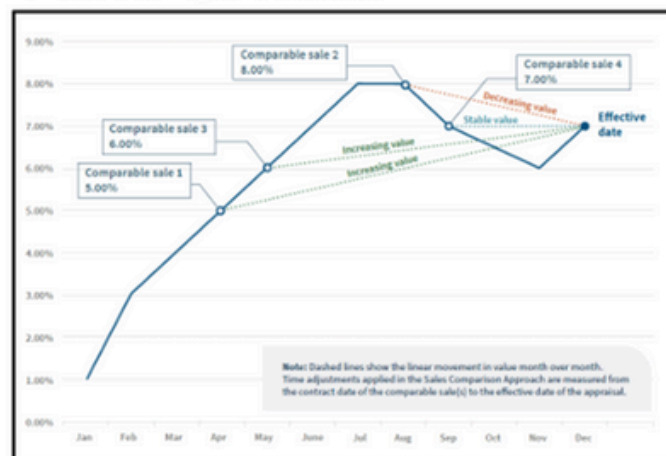
Market Condition Adjustments

The property value trend in the neighborhood section of the appraisal report has three categories: increasing, stable, and declining. The category chosen by the appraiser may be different than the market condition adjustment(s) applied to a comparable sale(s) in the Sales Comparison Approach. An adjustment made to a comparable sale(s) is based on market changes between the contract date of the comparable sale(s) and the effective date of the appraisal. Depending on when the contract date of the comparable sale(s) occurred, it is possible to have positive, negative, or no adjustments applied to different comparable sales in the same appraisal report.

To illustrate, the chart below shows a hypothetical market in which the overall value trend for a 12-month period increased at a rate of 7%; however, when examining the individual comparable sales price changes, they are not the same as the overall trend. In the illustration, the four comparable sales reflect each of three market categories (increasing, stable, and declining).

Prices have increased since the contract date for comparable sales 1 and 3. Prices have been stable since the contract date of comparable sale 4, and prices have decreased since the contract date for comparable sale 2. Therefore, the data shows a positive market condition adjustment for comparable sales 1 and 3, a negative market condition adjustment to comparable sale 2, and no market condition adjustment for comparable sale 4.

Market Condition Adjustment Illustration



Market appreciation overall in last 12 months is 7% (January through December)

- Comparable 1 = 5% increase as of contract date yields an **UPWARD** adjustment of 2%
- Comparable 2 = 8% increase as of contract date yields a **DOWNWARD** adjustment of 1%
- Comparable 3 = 6% increase as of contract date yields an **UPWARD** adjustment of 1%
- Comparable 4 = 7% increase as of contract date yields **NO** adjustment

For more information, refer to Selling Guide section B4-1.3-09, [Adjustments to Comparable Sales](#).

Additional Tools for Validation

Fannie Mae encourages the use of data visualization and benchmarking to validate trends:

- Use graphs or charts to demonstrate market trends.
- Apply benchmarks to compare the observed market trend with broader market data. Discrepancies should be investigated and explained.

Final Takeaways

The updated guidelines underscore Fannie Mae's commitment to elevating appraisal standards, ensuring credibility and consistency. Appraisers, lenders, and AMCs must adapt by emphasizing:

- Fact-based, market-driven adjustments,
- Detailed documentation of analysis methods, and
- Objective evaluations that align with defined guidelines.

For more details, explore the Selling Guide resources:

- [B4-1.3-09: Adjustments to Comparable Sales](#)
- [B4-1.3-03: Neighborhood Section of the Appraisal Report](#)
- [B4-1.3-11: Valuation Analysis and Reconciliation](#)

Whether a time adjustment is made or not, the appraisal report must summarize the supporting evidence and include a description of the data sources, tool(s), and technique(s) used. In short, a zero adjustment **is** an adjustment and still requires support.

By embracing these enhancements, the goal is that appraisers will deliver appraisals that are objective, more accurate, sufficiently supported, and aligned with market realities.