MFM Bulletin: 010-2025

Date: April 23, 2025

Subject: Freddie Mac Appraisal Requirements

Freddie Mac has issued a new bulletin updating their appraisal requirements. New requirements state the appraisal report must identify and describe physical deficiencies that could impact a property's safety, soundness, or structural integrity. If the appraiser has identified any of these deficiencies, the property must be appraised "subject to" completion of the specific repairs or alterations. **MFM will implement these policies for all appraisals with effective dates on or after April 24, 2025.**

- **Appraisal Reports Completed "Subject To" An Inspection:**
  If an appraiser observes conditions that require further investigation, the appraiser must make the appraisal report "subject to" an inspection by an appropriately licensed professional or another person trained in the particular field of concern. Examples of conditions that may require an inspection include, but are not limited to, observations of severe cracks in foundations or walls, evidence of infestation or a potentially contaminated water source.

  Evidence that required repairs have been completed must be provided prior to closing.

- **Properties with Condition Rating C-5 or C-6:**
  Freddie Mac will not accept any properties with a condition rating of C5 or C6 unless all issues that caused the property to be rated with a C5 or C6 condition rating are cured prior to closing. In such cases, the appraisal must be completed "subject to" and the reported condition rating must reflect the hypothetical condition that the repairs or alterations have been completed. **MFM will apply this policy to ALL conventional loan appraisals, including port loans.**

  Examples of deficiencies that indicate the property is in C5 or C6 condition include, but are not limited to:

  - Active roof leaks
  - Missing or damaged exterior siding or soffits that would allow water or other elements to enter the dwelling
  - Missing or damaged interior drywall or plaster such that the functional utility of the subject property is negatively impacted
  - Standing water in the property, water seepage/intrusion or significant plumbing leaks
  - Uncapped wiring
  - Curled, cupped, or missing roof shingles

- Damaged or unfinished floor coverings such that the subfloor is exposed in one or more rooms such that the functional utility of the subject property is negatively impacted
- Damaged or failing foundations
- A mechanical system where it is apparent it has exceeded its expected life or mechanical systems that are non-functional, or;
- Sanitary system with evidence of failure

- **Appraisals with condition rating C-4 or higher with minor deficiencies:**
  Appraisal reports may be completed "as is" for an existing property when there are minor needed repairs or deficiencies, or deferred maintenance. The appraiser must make appropriate adjustments for these conditions in the appraisal report, when necessary:

  - Worn floor finishes or coverings
  - Minor cracks in windows
  - Minor damage to interior walls
  - Damaged or missing interior doors
  - Damaged or missing window screens or cabinetry doors
  - Missing handrails
  - Damaged or deteriorating countertops
  - Missing hardware such as handles
  - Missing light fixtures, electrical panel/breaker box covers, electrical switches or faceplates (as long as there is no exposed uncapped wiring)
  - Damaged or missing trim
  - Minor plumbing leaks that do not cause damage (such as dripping faucets), or;
  - Deteriorated sidewalks

Please contact the MFM Underwriting Dept. (underwriting@memberfirstmortgage.com) if you have any concerns pertaining to guidelines and/or eligibility.

Thank you