

Market Conditions Addendum to the Appraisal Report

File No. 123456

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 122 Any Street City My City State Tennes Zip 37804
 Borrower Mr. Tom 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. If data sources provide the required information as an average instead of the median, then 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	Prior 4-6	Current - 3	Overall Trend		
Total # of Comparable Sales (Settled)	18	7	7	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining
Absorption Rate (Total Sales/Months)	3.0	2.3	2.3	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining
Total # of Comparable Active Listings	92.0	31.1	14.4	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Months of Housing Supply (Total Listings/Ab.Rate)	30.7	13.3	6.2	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Sale & List Price, DOM, List/Sale Ratio	Prior 7-12	Prior 4-6	Current - 3	Overall Trend		
Median Comparable Sale Price	\$284,000	\$249,900	\$235,000	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining
Median Comparable Sales Days on Market	177	114	167	<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Comparable List Price	\$299,900	\$280,000	\$275,000	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining
Median Comparable Listings Days on Market	182	180	180	<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Sale-to-List Price Ratio	0.98	0.98	0.93	<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Seller-(developer, builder, etc.)paid financial assistance prevalent?	<input checked="" type="checkbox"/> Yes <input 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.).

See comments on the "COMMENTS & EXPLANATION" page

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).

See comments on the "COMMENTS & EXPLANATION" page

Cite data sources for above information.

See comments on the "COMMENTS & EXPLANATION" page

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.

See comments on the "COMMENTS & EXPLANATION" page

If the subject is a unit in a condominium or cooperative project, complete the Project Name:

Subject Project Data	Prior 7-12	Prior 4-6	Current - 3	Overall Trend		
Total # of Comparable Sales (Settled)	0	0	0	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Absorption Rate (Total Sales/Months)	0.0	0.0	0.0	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Total # of Comparable Active Listings	0.0	0.0	0.0	<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Months of Housing Supply (Total Listings/Ab.Rate)	0.0	0.0	0.0	<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing

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

N/A

Summarize the above trends and address the impact on the subject unit and project.

N/A

Signature <i>David Braun</i>	Signature
Appraiser Name David A. Appriaser	Appraiser Name
Company Name Appraisers, Inc.	Company Name
Company Address 354 Your Street	Company
State License/Certification# Cr-546 State TN	State License/Certification# State
Email Address dbraun@braunappraisal.com	Email Address

APPRAISER'S MCA WORKSHEET

File No. 123456

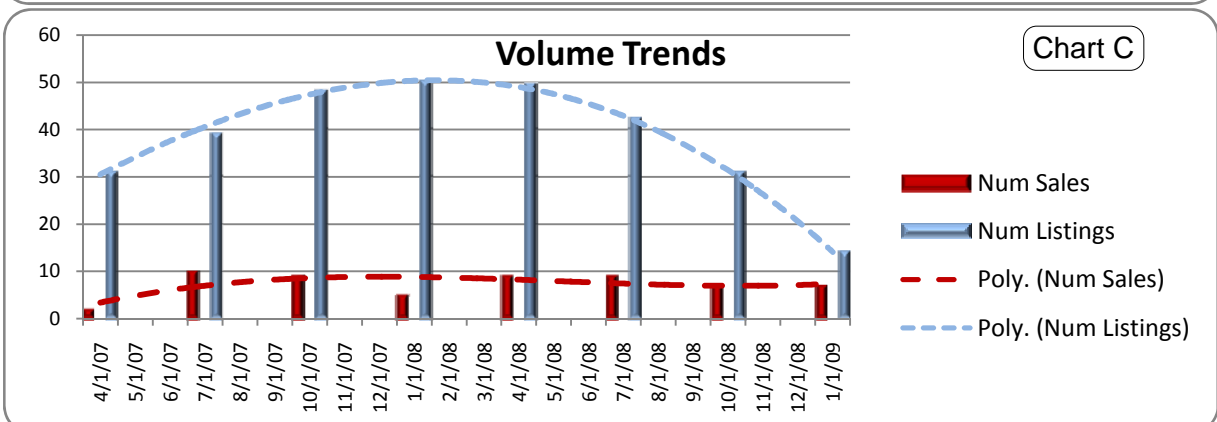
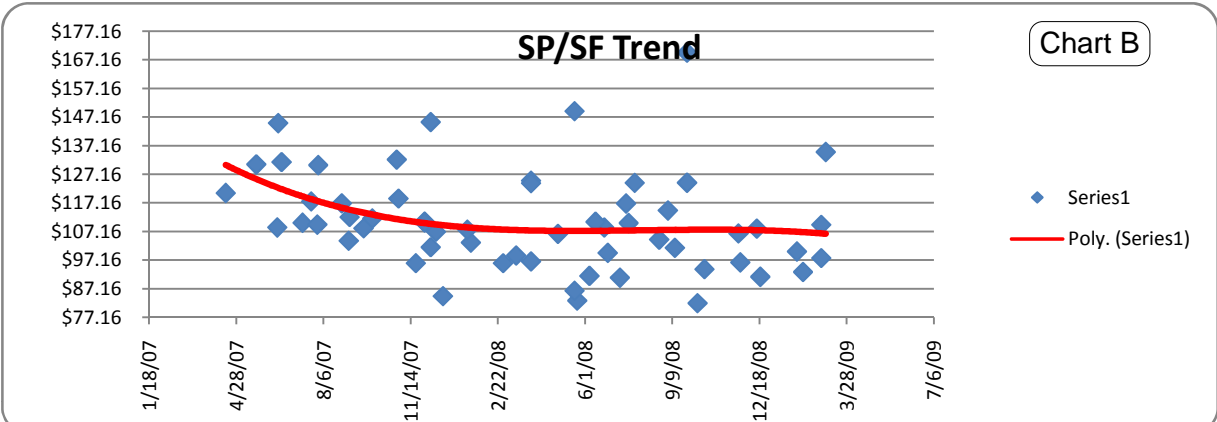
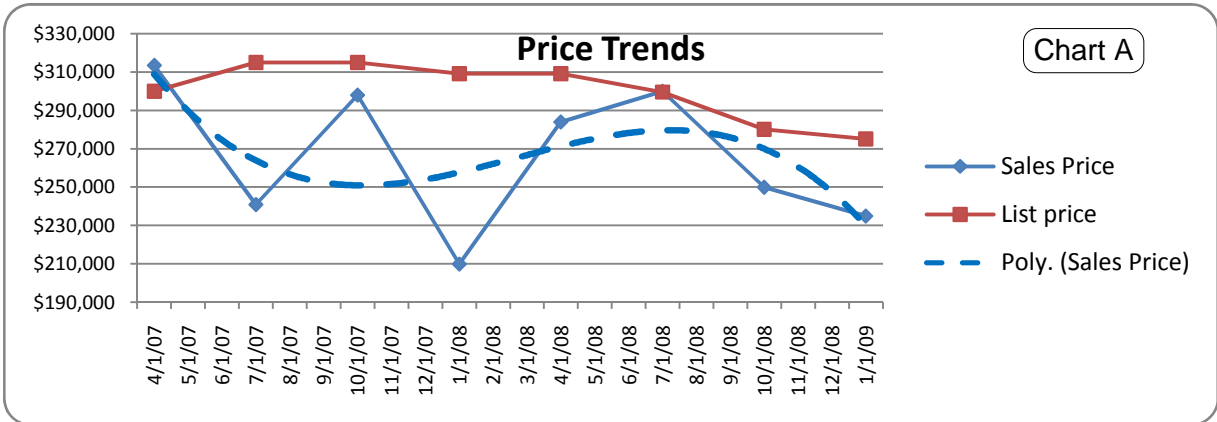
Property Address: 122 Any Street

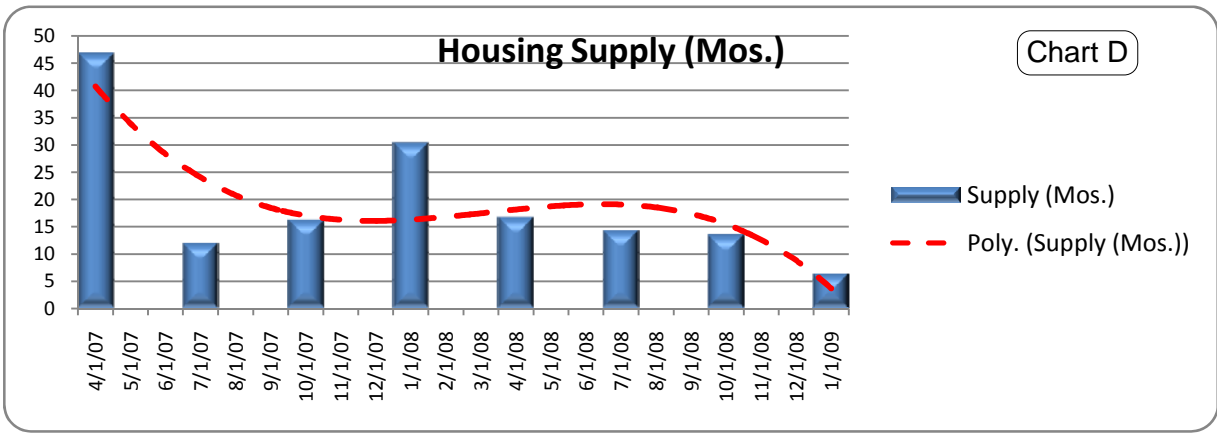
City: My City

State: Tennessee

Zip: 37804

Prior 22-24 Months	Prior 19-21 Months	Prior 16-18 Months	Prior 13-15 Months	Prior 10-12 Months	Prior 7-9 Months	Prior 4-6 Months	Prior 0-3 Months
Total # of Comparable Sales (Settled)				<i>(13-24 Mos. Stable)</i>		<i>(0-12 Mos. Declining)</i>	
2.0	10.0	9.0	5.0	9.0	9.0	7.0	7.0
Absorption Rate (Total Sales/Months)				<i>(13-24 Mos. Stable)</i>		<i>(0-12 Mos. Declining)</i>	
0.7	3.3	3.0	1.7	3.0	3.0	2.3	2.3
Total # of Comparable Active Listings				<i>(13-24 Mos. Increasing)</i>		<i>(0-12 Mos. Declining)</i>	
31.0	39.2	48.2	50.2	49.6	42.4	31.1	14.4
Months of Housing Supply				<i>(13-24 Mos. Stable)</i>		<i>(0-12 Mos. Declining)</i>	
46.5	11.8	16.1	30.1	16.5	14.1	13.3	6.2
Median Comparable Sale Price				<i>(13-24 Mos. Declining)</i>		<i>(0-12 Mos. Declining)</i>	
\$313,500	\$241,000	\$298,000	\$209,900	\$284,000	\$300,000	\$249,900	\$235,000
Median Sales Days on Market				<i>(13-24 Mos. Stable)</i>		<i>(0-12 Mos. Stable)</i>	
204.0	72.5	60.0	125.0	177.0	146.0	114.0	167.0
Median Comparable List Price				<i>(13-24 Mos. Stable)</i>		<i>(0-12 Mos. Stable)</i>	
\$299,900	\$314,900	\$314,900	\$309,000	\$309,000	\$299,450	\$280,000	\$275,000
Median Listings Days on Market				<i>(13-24 Mos. Stable)</i>		<i>(0-12 Mos. Stable)</i>	
187	183	183	183	183	181	180	180
Median Sale-to-List Price Ratio				<i>(13-24 Mos. Stable)</i>		<i>(0-12 Mos. Stable)</i>	
0.98	0.98	0.95	0.98	0.98	0.97	0.98	0.93
Total Number OREO's Sold or Listed				<i>(13-24 Mos. Increasing)</i>		<i>(0-12 Mos. Declining)</i>	
0.00	0.00	0.00	1.00	1.00	3.00	1.00	0.00





COMMENTS & EXPLANATIONS

1004MC-71 ADDENDA COMMENTS AND EXPLANATIONS

Subject's Sub-Market

Declining/Stable/Increasing

Seller-(developer, builder, etc.)paid financial assistance prevalent? Yes No

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.).

In this priced market it is typical to have some closing costs paid by sellers. However, the listing to sales price ratio shows that it is more common today.

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).

There is a small but continual presence of bank foreclosures. However, there were none reported in the MLS for the past 90 day period.

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 number of sales per period and the absorption rate have been slightly declining. The housing supply has been decreasing and prices appear to be holding steady. This information indicates a weak, but stable market.

Condominium / Cooperative Projects

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

N/A

Summarize the above trends and address the impact on the subject unit and project:

N/A

REQUIRED SECONDARY MARKET COMMENTS

(Provide an explanation and comments if any of the following conditions exist:)

If the neighborhood has more than a six month marketing time.

The subject's marketing time will likely be Less than six months based on the information presented earlier in this analysis and summarized above.

If the subject's exposure time is greater than the neighborhood marketing time.

The subject's exposure time is less than the anticipated neighborhood marketing time.

If the Subject Property's sub-market is in a state of oversupply.

The subject's sub-market is not in a state of oversupply (See chart D).

If the Subject Property's sub-market currently is experiencing a trend of declining values.

There has been a trend of declining values in the this submarket up until the first of this year. At this time values appear to be stable (see Chart B). The median sales price has been declining, but the sales price per square foot is a more reliable indicator.

SCOPE OF WORK (MARKET CONDITIONS ANALYSIS)

Data Source (Subject's-sub Market):

The Knox County MLS was searched for any multi-level home from 0-10 years old, that has from 1,200 to 1,700 square feet on the main level, and with 1 acre of land or less in Blount County.

Data Source (Condo/Coop project):

N/A

Analysis of Subject's Sub-market

The analysis consists of a variety of indicators that have been trended. See the "Appraiser's MCA Worksheet".

Analysis of Subject's Condo/Coop Project

N/A

Definitions:

Neighborhood- A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. (The Dictionary of Real Estate Appraisal 4th Edition, Appraisal Institute)

Real Estate Market- The interaction of individuals who exchange real property rights for other assets such as money; a group of individuals or firms that are in contact with one another for the purpose of conducting real estate transactions. (The Dictionary of Real Estate Appraisal 4th Edition, Appraisal Institute)

Market Segmentation- The process by which submarkets within a larger market are identified and analyzed. (The Dictionary of Real Estate Appraisal 4th Edition, Appraisal Institute)

Subject's Sub-market- The total pool of comparable properties from which a potential set of purchaser might (in the case of closed sale) have considered purchasing , or (in the case of an on-the-market property) might consider purchasing. Implicit in this definition is that this particular set of purchasers has both the desire and ability to purchase the properties. If a specific set of purchasers would consider the "Subject Property", but not Property B, then Property B, would not be in the *Subject's Sub-market*. The Subject's Sub-market may be all or only a segment of its neighborhood. (1004MC Total Solutions, Automated Valuation Technologies, Inc. 2009)

NOTE: The 1004MC-71 form and the URAR form tend to use "Neighborhood" and "Subject's Sub-market" interchangeably though they are defined differently. This form is required by the client and cannot be modified by the appraiser. Intended users should obtain additional information from the creators of these forms (FANNIE MAE and FREDDIE MAC) if this issue interferes with a clear understanding of the analysis, conclusions, or opinions presented. Use of these terms by the appraiser anywhere except the 1004MC or URAR forms conform to the above definitions.

Calculations:

Total Number of Sales is calculated based on actual closing dates within each period.

The Absorption Rate is calculated by dividing the number of sales by 90 days.

Total number of listings is calculated based the average number of listings on any given day during the period. On and off market dates were gathered for withdrawals, expired, closed, pending, as well as active listings revealing which periods each property was actively listed on the MLS. The number of days listed per period was also tallied revealing the average number of listings per day during the period. For example if the period is 90 days and two properties were listed for the entire 90 days, two properties were listed for 45 days of the period each, and three sales were listed for 30 days each of the period then there were seven properties listed during the period. However, there were only four listings on average per day. This is the most accurate way to calculate this information in order not to overstate the housing supply (in months).

Months of Housing Supply is calculated by dividing the total number of listings by the Absorption Rate. If no sales occurred during a period the number is null, however 0.2 sales is used to yield a number that can be used to trend.

The Median Comparable Sales Price is calculated by tallying the sales prices for each time period and then calculating the median of that data.

Median Sales Days on Market is calculated by tallying the sales prices for each time period and then calculating the median of that data.

The Median Comparable List Price is calculated by tallying the current list prices for each time period and then calculating the median of that data. This analysis does not consider that many of the properties may have been listed at a higher price during the earlier periods.

Median Listing Days on Market is calculated by tallying the days on market for each time period and then calculating the median of that data. This analysis does not consider that many of the properties may have been listed multiple time. Properties that have been relisted are not considered in this calculation. This trend is theoretically one of the best indicators of market conditions, but is probably the weakest in reality because of the quality of the data.

Median Sales-to-List Price Ratio is calculated by dividing the median list price per period by the median sales price per period. This ratio is reversed from the industry standard of sales price to list price ratio. In this case a lower ratio indicates a stronger market, and a high ratio indicates a weaker market.

Sales Price per Square Foot is calculated by dividing the sales price by its square foot for each individual property. This information is then plotted in Chart "B".

Total Number of Other Real Estate (OREO) is considered if the MLS has a field for this information. If one OREO property is listed over three periods it will be counted three times, one in each of the periods. It appears that the sales agents do not always report this, so it is not considered a very meaningful indicator.

The average of the 'Sales Concessions' to 'Sales Price' ratio is trended.

Each data set is analyzed to determine if the trend is 'Declining, Stable, or Increasing'. The conclusion is reached based on a moving average over the past 12 months. The average of the 1st and 2nd periods of the past 12 months is compared to the average of the 3rd and 4th periods where the 4th period is given twice as much weight as the 3rd period. If the changes are less than .0% for the sales and lists prices; and less than .0% for all other the trend is considered stable. The appropriate percentage change that can occur and the market still be stable is determined by the normal cyclical patterns of the particular sub-market.