

Attachment 1
Work Statement for Field Review of Appraisals

SERVICES

The contractor shall perform on-site interior and exterior field review of appraisals for the U.S. Department of Housing and Urban Development (HUD) Denver Home Ownership (DHOC).

GEOGRAPHIC AREA: Pueblo County, Colorado

STATEMENT OF WORK

The contractor shall be responsible for the management and administration of all tasks assigned under the contract and shall furnish the necessary personnel, materials, labor, services (including all transportation that may be needed), equipment to include but not limited to digital photographic capability, and Broadband Connection, i.e. DSL Cable Modem, facilities, required computer software (presently Excel, Word, Access and Acrobat Reader) and otherwise to do all things necessary or incident to the performance of the work specified herein. Appraisal review assignments will be delivered to the contractor, via Federal Express or by such other methods the HOC deems acceptable.

The contractor shall perform, as assigned by the HOC, on-site field review of appraisals completed by appraisers on the FHA roster. For each case assigned, the contractor shall inspect the interior and exterior of the subject property and return a completed Appraisal Review Report (ARR), to the HOC. The completed ARR shall be returned to the HOC via FHA Connection Web Based System, which is accessed via the Internet. All transmissions must be followed by a mailed hard copy of the complete review, signed by the contractor containing all supporting documents, unless otherwise directed by the HOC. The hard copy is to be received by the HOC no later than 20 calendar days from the date of receipt. NOTE: The 20 day performance period officially begins with the first business day after the date received. (For example, the contractor receives the assignment on Tuesday, June 5, 2007; the performance period begins on Wednesday, June 6, 2007, and ends at the close of business on Monday, June 25, 2007.) In the event the 20th day falls on a non-business day, the next business day will be considered the date the performance period ends.

Each review shall determine the accuracy and quality of the appraisal by ensuring that:

The factual information on the appraisal report is correctly reported and supported. If the contractor determines the factual information on the original appraisal report is not correctly reported, the contractor shall identify the incorrect information and provide the correct information supported by a copy of the contractor's data source for each review. Example: For a square footage error, data may be a plat, survey or the contractor's actual measurements with a tape measurer or some other acceptable method.

Conclusions in the appraisal report are based on data presented. Example, if the data is old or not comparable to the subject, the contractor shall supply more appropriate data on the subject and comparables to justify a different value conclusion.

The property's location is acceptable and the physical structure is eligible for FHA mortgage insurance, as reported.

Repair requirements made by the roster appraiser are appropriate, not excessive and adequate to preserve the property and protect the health and safety of the occupants. If not, the contractor shall furnish supporting documentation as part of the ARR. Examples of acceptable documentation are

photos of defects, home inspection report, termite report, reviewer's first hand report, report from fire/police authorities, structural engineer report, letter from contractor (such as roofer), plus any additional photos to support other findings.

The roster appraiser adequately addressed the requirements of the flood insurance program. If not, the contractor shall furnish supporting documentation such as a copy of the FEMA flood map or a copy of the elevation certification from an engineer.

The roster appraiser correctly identified properties with defective paint surfaces for which mitigation is required.

Sales dates of comparables are within six months of the effective date of the appraisal or a satisfactory explanation is provided that justifies their use.

Adjustments for location, site/view, design/appeal, and age/condition, are reasonable and appropriate.

The value by the sales comparison approach is supported. If it is not, the contractor shall provide additional comparables to support his/her conclusion, including a copy of the data source and photos of all additional comparables. A new or revised sales grid is required to support a different value. Example: If the appraiser overvalued the property, the contractor shall furnish/document better comparable sales, a more accurate description of the property's condition, which reflects a change in value and/or better market supported adjustments.

The replacement cost for a newly constructed property is supported by the square foot method. If not, the contractor shall furnish a different value using the square foot methodology including a copy of the two pages from the Marshall & Swift (M&S) Residential Cost Handbook where the figures were obtained. The reporting of said figures/computations will be reported via Marshall & Swift form 1007.

The income approach to value for income producing properties is supported by a Gross Rent Multiplier (GRM) analysis. If not, the contractor shall furnish a revised GRM analysis. If the GRM is not supplied the contractor is required to note this in his report but is not required to create and provide one. A standard form will be supplied to the contractor.

The FHA roster appraiser has applied standard appraisal principles per the Uniform Standards of Professional Appraisal Practice (USPAP) and complied with HUD guidelines found in all applicable HUD Handbooks, the HUD Homeownership Center (HOC) Reference Guide and mortgagee letters.

Manufactured homes meet HUD requirements and eligibility criteria.

If the property is located on a private road, it's location and accessibility were considered in the appraisal report and compliance with HUD guidelines were required.

The description of the neighborhood is complete and accurate. If not, the contractor will furnish MLS data and/or information from the local jurisdiction (city/county) on school district, zoning, etc.

Significant physical characteristics are correctly reported. If not, the contractor shall furnish documentation such as a plat showing easements, power lines, deck, etc. The contractor shall compare the property condition noted in the appraisal to actual conditions, and support any discrepancies with photographs.

Utilities are correctly reported. Example: If the subject property's utility services are incorrectly reported, the contractor shall furnish documentation such as a letter from the county or public utilities/Department of Water and Sewer to support the finding and any photos that support the finding(s).

The housing type is correctly identified. If not, the contractor shall furnish additional documentation such as photos showing all sides of the house, property tax record/plat, a new sketch, etc.

Sales concessions are correctly reported, and opinion of market value is properly qualified given the sales concessions. If the comparables had special or creative financing or sales concessions other than costs which are normally paid by the sellers in virtually all sales transactions, the appraiser should make a negative (-) adjustment to reflect these sales concessions.

An analysis of the sales contract is correctly reported per USPAP Standards Rule 1-5(a) and 1-5(b). A copy of the Real Estate Sales Contract or its equivalent will be provided to the contractor for sales data information.

The contractor shall perform an interior and exterior property review. It is anticipated that HUD will ask the contractor to perform interior property reviews of 100% of the subject properties assigned. The interior review shall include examination for any unusual items or serious oversights by the FHA roster appraiser of noticeable defects in the property, which could adversely affect the health and safety of the occupants or the continued marketability of the property. The review shall include, as appropriate, an inspection of the crawl space and the attic.

When access to the property is denied for the interior review, the contractor must fully document attempts made to obtain access, and contact the HOC GTM/GTR. The contractor will then proceed as directed by the HOC GTM/GTR. The exterior review shall include all items mentioned in item B above. For exterior reviews only, the contractor will receive 60% of the price/fee.

The contractor shall perform an exterior inspection of each of the comparable sales.

The contractor's field review findings for each property inspected shall be documented on the ARR. The form shall be fully completed and a hardcopy signed by the contractor. The review comments shall be specific and limited to violation items presented in a constructive manner so that the roster appraiser understands those areas of the report which are unacceptable and which need improvement. The ARR and attachments shall be returned to the HOC via FHA Connection Web Based System and followed by a mailed (signed) hard copy, via a traceable and tractable overnight mail method (Federal Express, Express Mail, etc.).

Digital photographs are required from the contractor and shall include: the interior, as necessary to substantiate adverse findings, exterior (photographs to show the front, rear, and sides) of the subject and all the appurtenant structures, missed repair conditions for the subject, and exterior (front only) of the comparable sales, including the contractor's new comparables. If the rear of the subject property cannot be accessed for safety reasons, contractor shall fully document the file.

The ARR information shall be clear, legible and provide substantiated findings limited to violation specific comments. When recommending "better comparable" properties on the ARR, the contractor shall assure the recommended comparable properties fully support that statement and were available to the appraiser at the time the appraisal report was completed.

Line adjustments exceeding 10 percent, net adjustments exceeding 15 percent, and gross adjustments exceeding 25 percent should be justified in writing by the appraiser. The reviewer shall determine

the reasonableness of the adjustments and the validity of the justification, and shall also determine if better comparable properties were available.

The contractor shall submit to training, (two separate trainings, not to exceed two days each) conducted by HUD staff at the HOC, or as directed by the HOC this training may be accomplished by means of telephonic or PIC-TEL means, on HUD's Appraisal Review Process field review procedures, use, and completion of the ARR, Appraiser Violations Matrix, and the electronic transmission of reports.

In the event the contractor or subcontractor is needed to provide expert testimony and/or give depositions or otherwise participate in litigation with HUD, a separate purchase order will be issued to cover the contractor's cost.

QUALIFICATIONS AND RESTRICTIONS

The Field Review Appraiser performing field reviews of appraisals under this contract shall possess an appraiser's license or certification for the state, in which the subject property is located. The licensing requirement may be met through reciprocity only to the extent permitted by State law. The license or certification must meet the minimum criteria as established by the Appraiser Qualifications Board of the Appraisal Foundation for performing appraisals in conjunction with federally related transactions.

Upon contract award, and throughout the award period, the contractor must be, or, have on staff, at least one (1) licensed appraiser who is an active FHA Roster Appraiser.

All Field Review Appraisers must be active appraisers on the FHA Appraiser Roster. Field reviews performed by a registered/trainee appraiser will not be accepted.

Quoters shall provide complete copies of two (2) recent (USPAP compliant) field reviews that have been completed for HUD or other clients.

Quoters shall submit a Quality Control/Technical and Management Plan to the Contracting Officer. The Quality Control/Technical and Management Plan shall contain:

A detailed description of the quoter's strategy for the timely completion of all work assignments within the prescribed 20-day performance period, as described in the Statement of Work Section in Paragraph 2.

A detailed description of the quoter's strategy for the training of staff (including all subcontracted appraisers). The plan must outline the measures the bidder will take to ensure that employees and subcontractors are/will be knowledgeable of HUD's Web Based System, and this Statement of Work.

Evidence that adequate resources (particularly, Field Appraisers) are in place to cover the geographic area(s) sought.

The proposed method the quoter shall use to review all completed Appraisal Review Reports (ARR), submitted by their subcontractor(s) and/or staff, performing said ARRs, that ensures compliance with this Statement of Work, HUD rules & regulations, and the Uniform Standards of Professional Appraisal Practice.

PERFORMANCE DISINCENTIVE

Acceptable Performance Level (APL). At a minimum, the contractor shall deliver 95% of the completed reviews error-free. For the purposes of this contract, an error is defined as follows:

Failure to complete work in allocated timeframes.

Failure to deliver an acceptable and/or complete electronic and hard copy of the ARR.

For each invoice period, HUD will review the work cases completed to determine if the cases contain errors (as defined in the Performance Disincentive Section in paragraph 1).