

Announcement #25-13

Date: February 04, 2025

Important Updates to Market Area Analysis and Appraisal Reporting

To promote consistency and transparency in appraisal reports, Freddie Mac and Fannie Mae are implementing updates to their requirements related to Market Area Analysis of the appraisal report and have introduced standardized definitions for "Neighborhood" and "Market Area." These updates are effective with applications dated on or after February 4, 2025.

Standardized Definitions:

Standardized definitions for "Neighborhood" and "Market Area" will be added to the Glossary section of the respective Selling Guides. The definitions are as follows:

- Neighborhood:
 - A congruous group of complementary land uses.
- Market Area:
 - The geographic region, for a subject property, for which most demand comes and in which most of the competition is located.

Market Area Analysis:

Additional guidance and requirements are being implemented for the Market Area analysis section of the appraisal report. The appraiser must include or comment on the following information:

- Selection of Comparable Sales:
 - Provide clear justification for the selection of comparable sales.
- Market Trend Analysis (must include):
 - A minimum 12-month timeframe must be used to derive the overall market trend.
 - Identify that the overall market trend may differ from adjustments applied to individual comparable sales.
 - Illustrate the methodology used to determine specific comparable sale time adjustments for changes in market conditions.
- Market Analysis Reporting:
 - The market analysis that supports both the indicated overall market trend and market-derived time adjustments for changes in market conditions.
 - This must include factual data from information sources such as, but not limited to, market data, home price indices, multiple listing services, public records, and/or models.

Please contact your Sales Representative with any questions.