



**Appraisal Department
Wachovia Mortgage, FSB**

January 1, 2008

TO: All Wachovia Independent Contractors (WIC's)

SUBJECT: **Important Information on Market Analysis Requirements**

Wachovia, Fannie Mae, Freddie Mac and other secondary market investors are very concerned with having a complete and accurate appraisal to use in making loan decisions. We have always been concerned with correct market analysis as a basis for developing accurate appraised values. Now, more than ever, with all the press about the "mortgage crisis" and declining markets throughout much of the nation, market analysis has achieved a new level of visibility. In fact, as you may know, Fannie Mae announced an amendment to their selling guide on December 5, 2007 regarding declining markets. Fannie, Freddie, and other secondary market purchasers are using the state of the market to help establish loan level acceptability.

We understand that you may have been led to believe by some lenders that reporting declining value, unfavorable demand/supply models and marketing time was detrimental to the lending process. The contrary is true for us at Wachovia; in fact we rely on your professional analysis to provide us with the appraisals we rely upon to keep making profitable loans. We need your best detailed analysis.

We believe that property values, demand/supply models, and marketing time are all related. Therefore, when discussing a market, we want you to analyze the market based on sales, listings, pending sales, withdrawn, expired listings, etc. The tables below are examples of how Wachovia Staff Appraisers must report market statistics on their appraisals. We recommend that you adapt these for your use or provide similar, clearly stated, and easily understandable statistics for the appraisals you complete for Wachovia. This will save you and us time in not having to contact you to discuss your reporting of the markets.

The first table below provides the median value for your NEIGHBORHOOD.

Oct-06	25	\$460,000	Apr-07	24	\$409,000
Nov-06	23	\$459,900	May-07	23	\$415,000
Dec-06	21	\$450,000	Jun-07	23	\$417,500
Jan-07	22	\$433,500	Jul-07	18	\$406,500
Feb-07	23	\$425,000	Aug-07	16	\$376,500
Mar-07	25	\$416,000	Sep-07	11	\$375,000

This data provides the basis for determining whether your market is "Increasing", "Stable", or "Declining" and reporting the "One-Unit Housing Trends" on the appraisal report. Based on the median sales prices in the table above we can see clearly that the market trend is "Declining" and have market support for our conclusion.

One-Unit Housing Trends			
Property Values	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining



The next 3 tables below provide data for competitive properties in your **MARKET AREA** (properties that the buyer might consider when shopping for the Subject Property).

Months	3 Months	6 Months	12 Months
Total # of Sales (Solds)	7	29	77
Absorption Rate (Sales Per Month)	2.33	4.83	6.42
Inventory (Listings + Pending)	105	105	105
Month Supply	45.00	21.72	16.36

	Active	Pending	3 Months	6 Months	12 Months
Low Sale	\$300,000	\$309,900	\$335,000	\$324,900	\$315,000
High Sale	\$459,900	\$409,000	\$382,500	\$415,000	\$420,000
Median Sale	\$379,500	\$372,500	\$360,000	\$376,500	\$389,900
Average	\$383,982	\$367,560	\$361,357	\$376,570	\$387,237
Median DOM	55	51	37	53	72

Median % of Original List Price			
Most Recent 90 Days	Prior 91 to 180 Days	Prior 181 to 270 Days	Prior 271 to 360 Days
95.89%	92.43%	95.06%	86.69%

Evaluating the first of these three tables we can see that the “Absorption Rate” (number of sales divided by the number of months) has been declining steadily – an indicator of a declining market or one that may soon be declining; this provides you support for marking the “One-Unit-Housing Trends” as “Over Supply”. The Inventory remains the same for each column because that is the CURRENT number of listings and pending sales on the market. We can see that the “Month Supply” has climbed rapidly and clearly indicates an over supply as reported on the appraisal. The next table shows the declining median sales prices for competitive properties in our Subject’s market (3 Months, 6 Months, and 12 Months values). And, the last of these tables shows that during the past 180 days the median percent reduction from list price has declined additional support for a declining market and while the 3 month median DOM was 37 days, the current pending sales (51 days) and active listings (55 days) indicates a softening market.

Based on our analysis we must conclude that 1) the “Property Values” are “Declining”, 2) the “Demand/Supply” is “Over Supply”, and 3) the “Marketing Time” is “3-6 months”.

One-Unit-Housing Trends			
Property Values	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining
Demand/Supply	<input type="checkbox"/> Shortage	<input type="checkbox"/> In Balance	<input checked="" type="checkbox"/> Over Supply
Marketing Time	<input type="checkbox"/> Under 3 mths	<input checked="" type="checkbox"/> 3-6 mths	<input type="checkbox"/> Over 6 mths

At first glance many appraisers may be concerned that reporting the median sales prices data we request is going to be time consuming, but all we are asking is that you provide a more detail summary all the research you have been doing already to determine the current market. Most MLS provide summary statistics for your Comp Search or MTA search. If necessary you could run several searches for market analysis, reporting the median value's for each of the previous 12 months to determine a trend in values.

Thank you for working as a team with us here at Wachovia, and for your continuing efforts to help us make good loans based on good appraisals. Once again, we need the market analyzed and presented clearly stated and easily understandable statistics for the appraisals you complete for Wachovia. Please contact your local Wachovia partner if you have any questions.