



# QUALITY RATING GUIDELINES

SINGLE FAMILY RESIDENCE

## ABSTRACT

New Quality Rating System: Before 2025, GAD used 20 valuation models for mass appraisals of single-family homes. The shift to the six (6) UAD ratings aims to enhance uniformity, in application, and public understanding, as these ratings are used by fee appraisers in mortgage transactions.

# Pros of Switching to Fannie Mae UAD Quality Ratings

1. **Standardization:** Implementing Fannie Mae's UAD quality ratings can bring a high level of standardization to the appraisal process. This uniformity helps ensure that properties are evaluated consistently, making it easier to compare appraisals across different regions and appraisers.
2. **Simplification:** Reducing the number of quality ratings from 20 to 6 simplifies the appraisal process. This can make it more straightforward for appraisers to assign ratings and for stakeholders to understand the appraisal reports.
3. **Improved Accuracy:** The UAD quality ratings are designed to be comprehensive and precise, which can lead to more accurate appraisals. This accuracy is crucial for making informed decisions in real estate transactions.
4. **Alignment with Industry Standards:** Using a widely recognized standard like Fannie Mae's UAD can enhance the credibility of appraisals. This alignment is particularly beneficial for properties involved in mortgage transactions, as it meets the expectations of lenders and other financial institutions.

# Cons of Switching to Fannie Mae UAD Quality Ratings

1. **Loss of Granularity:** Moving from 20 quality ratings to just 6 may result in a loss of detail. Some specific characteristics of properties might not be captured as effectively, potentially leading to less nuanced appraisals.
2. **Transition Challenges:** Implementing a new system requires significant effort, including training for appraisers and updates to existing processes and systems. This transition period can be resource-intensive and may temporarily disrupt operations.
3. **Initial Resistance:** Stakeholders who are accustomed to the current system may resist the change. This resistance can lead to pushback and delays in the implementation of the new quality ratings.
4. **Adaptation Period:** There may be a learning curve for appraisers and other stakeholders as they adapt to the new system. During this period, there could be inconsistencies in how the new ratings are applied.

## Q1 - Quality Rating Benchmarks

*Previous Quality Ratings: R8+ R9*

A single-family residential property with a **Q1 quality rating** typically includes the following characteristics:

**Unique Design:** These properties are usually unique structures, individually designed by an architect for a specific user.

**Exceptional Workmanship:** Constructed from detailed architectural plans with exceptionally high-quality materials. All custom finishes, rare.

**High-Quality Refinements:** Features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements.

**Superior Materials:** The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality. Highest quality, imported or highest-end finishes

### **Fannie Mae UAD Description:**

"Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified user. Such residences typically are constructed from detailed architectural plans and specifications and feature an exceptionally high level of workmanship and exceptionally high-grade materials throughout the interior and exterior of the structure. The design features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements. The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality."

### **Key Observations (Q1):**

- Unique structures, individually designed by an architect for a specified user.
- Superior materials and finishes
- Highest quality, imported materials
- Rare, limited
- Exterior Design: Exceptionally high-quality exterior refinements and ornamentation.
- Exterior Materials: Top-quality materials, often imported.
- Interior Design: Exceptionally high-quality interior refinements.
- Finishes and Fixtures: Custom-designed kitchens and bathrooms, high-quality finishes.

These properties represent the pinnacle of residential construction quality, often showcasing the best in design, materials, and craftsmanship. Examples of this quality rating will include:

- Custom-Built Mansions: These homes are often found in luxury markets like Beverly Hills or Malibu. They feature imported materials, custom woodwork, and multiple custom kitchens and bathrooms.
- High-End Estates: Located in exclusive neighborhoods, these estates are designed by renowned architects and include high-quality finishes and unique architectural details.

## Q2 - Quality Rating Benchmarks

*Previous Quality Ratings: R7+ R8- R8*

A single-family residential property with a **Q2 quality rating** typically display or feature some of the following characteristics:

**Custom Design:** Often custom-designed for construction on an individual property owner's site.

**High-Quality Tract Developments:** Also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans.

**Detailed Ornamentation:** The design features detailed, high-quality exterior ornamentation.

**High-Quality Interior Refinements:** Includes high-quality interior refinements and detail.

**Superior Workmanship:** The workmanship, materials, and finishes throughout the dwelling are generally of high or very high quality.

**High Demand:** These properties are known for their superior quality and attention to detail, making them highly desirable in the real estate market area where it is located.

### **Fannie Mae UAD Description:**

"Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans. The design features detailed, high-quality exterior ornamentation, high-quality interior refinements, and detail. The workmanship, materials, and finishes throughout the dwelling are generally of high or very high quality."

### **Key Observations (Q2):**

- Full Custom
- Total Living Area Range 2,200 to 6,000 sqft
- Custom built on own site, high-quality tract development
- Exterior Design: Detailed, high-quality exterior ornamentation.
- Exterior Materials: High-quality materials, often custom-designed.
- Interior Design: High-quality interior refinements and detail.
- Finishes and Fixtures: Custom-designed kitchens and bathrooms, high-quality finishes.
- Strong curb appeal

These properties typically are custom-designed for an individual site or high-quality tract developments. General examples include:

- Custom-Designed Homes: These homes are built for individual property owners and feature high-quality trim, hardwood flooring, and custom kitchens.
- High-Quality Tract Homes: Found in upscale developments, these homes have detailed exterior ornamentation and high-quality interior finishes.

## Q3 - Quality Rating Benchmarks

*Previous Ratings: R6, R6+, R7-, R7*

A single-family residential property with a **Q3 quality rating** typically includes the following characteristics:

**Higher Quality Construction:** These homes are built from individual or readily available designer plans.

**Above-Standard Developments:** Often found in above-standard residential tract developments or on individual property owner's sites.

**Significant Exterior Ornamentation:** The design includes notable exterior ornamentation.

**Well-Finished Interiors:** Interiors are well-finished, reflecting a higher standard of workmanship.

**Upgraded Materials:** Many materials and finishes throughout the dwelling have been upgraded from stock standards.

### Fannie Mae UAD Description

"Dwellings with this quality rating are residences of higher quality built from individual or readily available designer plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation and interiors that are well finished. The workmanship exceeds acceptable standards and many materials and finishes throughout the dwelling have been upgraded from "stock" standards."

### Key Observations (Q3):

- Semi-Custom
- Exterior Design: Significant exterior ornamentation.
- Exterior Materials: Above-standard materials, often upgraded from stock.
- Interior Design: Well-finished interiors with significant detail.
- Finishes and Fixtures: Many materials and finishes upgraded from stock standards.
- Footprints may range between 1,500 and 4,000 sqft of living area
- Shape of footprint found to escape strict rectangular or square box layouts.

These properties are generally of higher quality, offering a balance between cost and enhanced features, making them desirable in many residential markets. General examples include:

- Higher-End Tract Homes: Located in above-standard residential developments, these homes feature upgraded materials and significant exterior ornamentation.
- Individually Designed Homes: Built from designer plans, these homes have well-finished interiors and upgraded finishes.

## Q4 - Quality Rating Benchmarks

*Previous Ratings: R5, R5+, R6-*

A single-family residential property with a **Q4 quality rating** typically includes the following characteristics:

**Standard or Modified Plans:** Utilizes standard or slightly modified building plans.

**Adequate Fenestration:** Includes a sufficient number of windows and other openings.

**Some Ornamentation:** Features some exterior ornamentation and interior refinements.

**Stock or Builder Grade Materials:** Uses materials, workmanship, finish, and equipment that are of stock or builder grade, with some possible upgrades.

**Meets or Exceeds Building Codes:** Complies with or surpasses the requirements of applicable building codes.

### Fannie Mae UAD Description

"Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized and the design includes adequate fenestration and some exterior ornamentation and interior refinements. Materials, workmanship, finish, and equipment are of stock or builder grade and may feature some upgrades."

### Key Observations (Q4):

- The exterior design includes some ornamentation, but it is not highly customized.
- Exterior materials are typically standard, with limited enhancements.
- The interior design is functional and meets the basic needs of the occupants.
- Standard finishes and fixtures are used, with some potential for minor upgrades.
- Well-built and functional, provides comfortable living environment.

These properties are generally of average quality, offering a balance between cost and quality, and are commonly found in many residential developments. This rating reflects a home that is practical and meets the necessary standards for quality and safety, without the high-end features found in higher-rated properties. General examples include:

- Suburban Tract Homes: These homes are often found in suburban neighborhoods and are built using standard or modified standard building plans. They feature stock or builder-grade materials and finishes, with some possible upgrades like tiled shower stalls or quartz countertops.
- Mid-Range New Constructions: New homes in mid-range developments that meet or exceed building codes. They have adequate fenestration (windows and doors) and some exterior ornamentation but are not highly customized.
- Renovated Older Homes: Older homes that have been renovated to meet current building codes. The renovations use standard materials and finishes, with some upgrades to modernize the home.

## Q5 - Quality Rating Benchmarks

*Previous Ratings: R4-, R4, R4+, R5-*

A single-family residential property with a **Q5 quality rating** typically has the following characteristics:

**Economy of Construction:** The primary focus is on cost-effectiveness and basic functionality.

**Plain Design:** The design is straightforward, often using readily available or basic floor plans.

**Minimal Fenestration:** There are few windows and other openings.

**Basic Finishes:** Interior and exterior finishes are minimal and basic.

**Limited Ornamentation:** There is little to no exterior ornamentation and limited interior detail.

**Stock Materials:** Construction uses inexpensive, stock materials with limited refinements and upgrades.

**Meets Minimum Building Codes:** The property meets the minimum requirements of applicable building codes.

### Fannie Mae UAD Description

"Dwellings with this quality rating feature economy of construction and basic functionality as main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration and basic finishes with minimal exterior ornamentation and limited interior detail. These dwellings meet minimum building codes and are constructed with inexpensive, stock materials with limited refinements and upgrades."

### Key Observations (Q5):

- Exterior Design: Plain design with minimal ornamentation.
- Exterior Materials: Inexpensive stock materials.
- Interior Design: Basic functionality with minimal detail.
- Pier and Beam or Slab Foundations
- Meets current building codes, livable.
- Basic functionality, not substandard.
- May feature outdated construction material
- May have additional roof lines.
- Rectangular, may feature bump outs.
- Generally, living areas range from 1,000 to 2,100 sqft (excl. additions).
- Finishes and Fixtures: Basic finishes with limited upgrades.

These properties are designed to be functional and cost-effective, general examples include:

- Basic Tract Homes: These homes focus on economy and functionality, using basic floor plans and minimal ornamentation.
- Budget-Friendly New Constructions: New homes built with inexpensive materials and basic finishes.

## Q6 - Quality Rating Benchmarks

*Previous Ratings: R2, R3-, R3, R3+*

A single-family residential property with a **Q6 quality rating** typically has the following characteristics:

**Basic Quality and Lower Cost:** These properties are built with the lowest quality materials and minimal construction skills.

**Simple or No Plans:** Often constructed with very basic plans or without any formal plans.

**Limited Systems:** Electrical, plumbing, and other mechanical systems may be minimal or non-existent.

**Substandard Additions:** Any additions to the original structure are often substandard.

**Not Suitable for Year-Round Occupancy:** Some of these dwellings may not be suitable for year-round living

### Fannie Mae UAD Description

“Dwellings with this quality rating are of basic quality and lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, and other mechanical systems and equipment may be minimal or nonexistent. Older dwellings may feature one or more substandard or nonconforming additions to the original structure.”

### Key Observations (Q6):

- Pier and beam.
- Low-cost construction
- Typically, Box Shaped
- Limited Roof Slope (4-12in.)
- Typically, less than 1000sf original (*not including additions*)
- Exterior Design: Simple plans, often without detailed design.
- Exterior Materials: Lowest quality building materials.
- Interior Design: Minimal construction skills, basic functionality.
- Finishes and Fixtures: Basic or minimal finishes.

These properties are generally the most basic and least expensive, often reflecting a lack of professional construction expertise. General examples include:

- Basic Cabins: Often built with simple plans and the lowest quality materials, these homes may not be suitable for year-round living.
- Low-Cost Housing: Homes built with minimal construction skills and basic materials, focusing on affordability.

## References

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