



January 26, 2011

Mr. Edward DeMarco  
Federal Housing Finance Agency (FHFA)  
1700 G Street, NW  
4th Floor  
Washington, DC 20552

Re: Complaint / Freddie Mac Multifamily Loan / [REDACTED]

Dear Mr. DeMarco:

I was recently engaged by [REDACTED] to perform an appraisal of [REDACTED] Apartments in Browns Summit, North Carolina. After completing my analysis, I received the attached e-mail from [REDACTED] with [REDACTED] which included the following request:

"Freddie is a bit bothered by the income restricted value (\$5,680,000) being so much higher than the \$5,225,000 purchase price. They are hoping for the value to actually come in a bit closer to the purchase price...."

[REDACTED] proceeded to request specific changes to our appraisal to bring it in line with his underwriting. I contacted [REDACTED] and he reiterated that Freddie Mac was looking for a lower value; he needed me to reconcile my numbers to his numbers.

I informed [REDACTED] that I was not accustomed to being told what values I needed to derive in my appraisals. Indeed, I informed him that I was bound by USPAP to provide an independent, impartial analysis. After extensive discussion, I agreed to make some minor changes which were, in fact, warranted (a minor increase to replacement reserves and a reduction in management fees). But these changes did not significantly change our final value conclusion.

The purpose of this letter is to formally request that you look into this matter. In my opinion, Freddie Mac and/or [REDACTED] stepped over the line, pressuring me to deliver a predetermined conclusion in my valuation. Because your agency is charged with providing "effective supervision, regulation and housing mission oversight of Fannie Mae, Freddie Mac and the Federal Home Loan Banks" it seemed appropriate that I refer this matter to you.

Please contact me at your convenience should you have any questions regarding this matter.

Respectfully submitted:  
ALLEN & ASSOCIATES

A handwritten signature in blue ink, appearing to read 'Jeff Carroll', is positioned above the printed name.

Jeff Carroll

North Carolina Appraiser License/Certification #A5765



Jeff Carroll &lt;jeff.carroll28270@gmail.com&gt;

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**[REDACTED] - URGENT**

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Tue, Oct 5, 2010 at 3:53 PM

To: jcarroll@allenadvisors.com

Jeff,

Hope you're well. Per my voicemail, we're trying to get this Freddie loan closed in the next couple of days, and need a few tweaks from you that I will detail below.

Freddie is a bit bothered by the income restricted value (\$5,680,000) being so much higher than the \$5,225,000 purchase price. They are hoping for the value to actually come in a bit closer to the purchase price as follows:

In looking at your numbers, I think gross potential is way high at \$1,490,400. It should be somewhere around \$1,407,000 based on a current rent roll. Add to this other income which has historically averaged \$45,000. They would like to see your vacancy conclusion more in line with the market averages with physical vacancy at 8%+/-, with another 4% attributable to concessions (please add a line for concessions). This would equate to overall economic vacancy of 12-13%, which is in-line historically and is supported by the current rent roll at 91.67% physical.

On the expense side - we need to be able to support 4% management as opposed to 5%. Our actual agreement will be 4% and we think we can support that as market. Freddie has asked that overall operating expenses be more in-line with historical operations at the property which have ranged from \$720,000-\$750,000 over the last few years. Replacement reserves have come in at \$333 per unit per the Engineers Report.

If we can use these tweaks to get our numbers in-line with historical operations, the value should come in much more in-line with the purchase price. I'm sure we could easily justify dropping the cap rate a touch if necessary. Most apartments are trading in the Triangle area at 6-8% cap rates depending on asset quality.

Lastly, the Freddie underwriters have asked if you can take a look at page 139 - it seems you used the subject property 4 times in the comparable analysis? We assumed this is a mistake - please provide clarity.

I have attached the most recent rent rolls and our historical analysis to assist you with your revisions. Thank you and please contact me to discuss as we need to have these changes turned around quickly as we are trying to close tomorrow or Thursday.