

December 14, 2015

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors
SFHGLP State Coordinators

FROM: Tony Hernandez
Administrator
Housing and Community Facilities

SUBJECT: Single Family Housing Guaranteed Loan Program
Technical Appraisal Review – Pre-Conditional Commitment

PURPOSE/INTENDED OUTCOME:

The purpose of this Unnumbered Letter (UL) is to establish a pre-Conditional Commitment/Pre-Approval process for Agency Technical Appraisal Reviews. These reviews of lender-submitted real estate appraisals are part of the lender's application for a loan note guarantee in the Single Family Housing Guaranteed Loan Program (SFHGLP). Performing Technical Appraisal Reviews on a pre-Conditional Commitment basis will assist the Agency in identifying unsound appraisals prior to the Agency extending a financial commitment in the form of a Loan Note Guarantee on a property. As such, these reviews will help support the reduction of the Agency's exposure on higher risk loans.

This UL eliminates the need for Agency Appraisers to perform Technical Appraisal Reviews on 5 percent of appraisals within the SFHGLP as set forth in Section 12.5 (E) (4), HB-1-3555.

BACKGROUND:

The performance of Technical Appraisal Reviews by Agency Appraisers is critical to preserving the quality of the SFHGLP portfolio.

Although the primary responsibility for the quality of the submitted appraisal reports remains with the participating lenders, this UL establishes a procedure to enhance the quality control and oversight of the SFHGLP portfolio. Furthermore, this UL establishes a procedure to seek corrective action from the lender's appraiser if Agency Appraisers have questions and/or issues pertaining to an appraisal report.

This UL establishes the procedure identifying the sample of SFHGLP applications that require a Technical Appraisal Review performed, and the resulting Technical Appraisal Review Report to be completed, prior to the issuance of a Conditional Commitment.

EXPIRATION DATE:
December 31, 2016

FILING INSTRUCTIONS
Housing Programs

IMPLEMENTATION RESPONSIBILITIES:

This UL will be effective 30 days after issuance. Within 45 days of implementation, and ongoing thereafter, this UL will be reviewed for effectiveness and modified at the direction of the SFHGLP.

Attachment A outlines the minimum number of Technical Appraisal Reviews that will be submitted each month to the Regional Agency Appraisers prior to the issuance of the Conditional Commitment. This figure is based on one percent of the SFHGLP loan origination activity from the fiscal year 2015.

States will select the applications and obtain the respective appraisal reports to be reviewed at the time of the application submission by the lender. The SFHGLP staff in each State will submit the request for a Technical Appraisal Review of each appraisal report in the Regional SharePoint system pursuant to the Standard Operating Procedure (SOP) posted in the Regional Appraiser Services Hub SharePoint site for the *Single Family Housing (SFH) Guarantee Program Pre-Closing Technical Appraisal Review Assignment*.

The Regional Agency Appraiser will perform the Technical Appraisal Review in accordance with the SOP and issue the findings within three (3) business days of receipt of the request. If issues needing to be addressed are found during the review, the Regional Agency Appraiser will initially contact the lender utilizing the *Lender Notification of Technical Appraisal Review* template. Within 4 business days the review concerns must be addressed by the lender's assigned contact and either the original, or any revised appraisal report must be submitted reviewed and accepted by the Agency Appraiser prior to loan approval. If the requested additional information is not submitted within 4 business days the appraisal will be deemed unacceptable and a denial will be issued on for loan request.

For further details, see the following on the Regional Appraiser Services SharePoint site https://ems-team.usda.gov/sites/RD_rHUB/pss/assign/SitePages/Home.aspx

- 1) SOP for *SFHGLP Pre-Conditional Commitment Technical Appraisal Review Assignment*. (Follow the "SOPs with Flow Charts" and "Single Family Housing Programs" links.)
- 2) *Lender Notification - Technical Appraisal Review Issue* template. (Follow the "APPRAISER STAFF Reports and Forms" link.)

FOR FURTHER INFORMATION:

If you have any questions, please contact Kevin Smith of the Guaranteed Loan Division at (517) 676-4644, extension 220, or via email: kevin.smith@wdc.usda.gov. The Single Family Housing Guaranteed Loan Division may also be contacted at (202) 720-1452.

ATTACHMENT A

STATE	FY 2015 SFHGLP Loans Obligated	Monthly Appraisal Submission Rate based on 1%
ALABAMA	3,672	4
ALASKA	460	1
ARIZONA	1,883	2
ARKANSAS	3,297	3
CALIFORNIA	2,965	3
COLORADO	1,597	2
CONNECTICUT	721	1
DELAWARE	676	1
FLORIDA/VIRGIN ISLANDS	4,417	4
GEORGIA	4,189	4
HAWAII/WESTERN PACIFIC	712	1
IDAHO	1,433	2
ILLINOIS	3,428	3
INDIANA	5,424	5
IOWA	2,264	2
KANSAS	1,285	2
KENTUCKY	4,071	4
LOUISIANA	4,650	4
MAINE	1,722	2
MARYLAND	2,484	3
MASSACHUSETTS	990	1
MICHIGAN	6,693	6
MINNESOTA	3,851	4
MISSISSIPPI	2,562	3
MISSOURI	5,019	5
MONTANA	1,144	1
NEBRASKA	1,030	1
NEVADA	626	1
NEW HAMPSHIRE	827	1
NEW JERSEY	978	1
NEW MEXICO	361	1
NEW YORK	1,958	2
NORTH CAROLINA	6,666	6
NORTH DAKOTA	401	1
OHIO	5,085	5
OKLAHOMA	2,186	2
OREGON	2,519	3
PENNSYLVANIA	4,880	5
PUERTO RICO	2,169	2
RHODE ISLAND	154	1
SOUTH CAROLINA	3,805	4
SOUTH DAKOTA	1,355	2
TENNESSEE	7,256	7
TEXAS	5,153	5
UTAH	2,240	2
VERMONT	510	1
VIRGINIA	3,858	4
WASHINGTON	2,729	3
WEST VIRGINIA	1,734	2
WISCONSIN	2,906	3
WYOMING	1,258	2

