Appraisals

Single Family Housing Guaranteed Loan Program
Training Objectives

• Where is the topic located?
  * 7 CFR Part 3555 and HB-1-3555

• Learning Checks

• Resources
Things change!

• Every effort has been made to ensure training references are accurate at the time of publication.

• Always reference the most recent USDA publications available online.
Guaranteed Loan Program Regulation

7 CFR Part 3555

- Final Rule Effective: March 9, 2016
- Eight Subparts: A – H
- Appendix 1
7 CFR Part 3555

7 CFR Part 3555

Subpart C: Loan Requirements

- .101: Loan Purposes
- .102: Loan restrictions
- .103: Maximum loan amount
- .104: Loan terms
- .105: Combination construction and permanent loans
- .107: Application for and issuance of loan guarantee
- .108: Full faith and credit
7 CFR Part 3555

3555.107 Application for and issuance of the loan guarantee.
(a) Processing of applications.
(b) Automated underwriting.
(c) Manual underwriting.
(d) Appraisals.
(e) Environmental requirements.
(f) Issuance of a conditional commitment.
(g) Loan guarantee fee.
(h) Annual fee.
(i) Proper closing and requesting the loan note guarantee.
(j) Issuance of the guarantee.
7 CFR Part 3555: 3555.107(d)

(d) **Appraisals.** The lender must supply a current appraisal report of the property for which the guarantee is requested.

(1) Appraisals must be conducted in accordance with the Uniform Standards of Professional Appraisal Practices.

(2) Approved lenders are responsible for selecting a qualified appraiser and the integrity, accuracy and thoroughness of the appraisals used to support their loan guarantee request.

(3) The appraiser must report all readily observable property deficiencies, potential environmental hazards, as well as any adverse conditions discovered performing the research involved in completing the appraisal.
7 CFR Part 3555: 3555.107(d)

(4) The Agency will conduct reviews of the appraisals prior to issuance of the conditional commitment, and other reviews may be conducted to ensure overall quality of appraisals. The lender is responsible for correcting any appraisal deficiencies reported by the Agency.

(5) The Agency may determine an appraiser ineligible to conduct appraisals for SFHGLP due to the failure to comply with applicable requirements and regulations. Appraisals from the ineligible appraisers will not be accepted.

(6) Use of an alternative approach to value for appraisals performed in remote rural areas, on tribal lands, or where a lack of market activity exists may be accepted at the Agency's discretion.

(7) The validity period of an appraisal will be 120 days, unless otherwise provided by the Agency.
Guaranteed Loan Program Technical Handbook
HB-1-3555

• Provides guidance to support the regulation
• HB is not the rule
• 20 Chapters
HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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Acronyms
Glossary

Appendix 1 - 7 CFR part 3555
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HB-1-3555

SECTION 2: APPRAISALS
12.5 RESIDENTIAL APPRAISAL REPORTS
A. Qualified Appraiser
B. Appraisal Report
C. Agency Review
D. State Director Responsibilities
E. Types of Agency Reviews
F. Appraisals in Remote Rural Areas, On Tribal Lands Or in Areas Lacking Market Activity
TIPS

• Underwriter = USDA Approved Lender
• USDA = not an underwriter
• Research Rule & HB questions: Table of Contents
• Research Rule & HB questions: Control + F

7 CFR Part 3555

supplemental social security income and Social Security
benefits received in a lump sum;

(vii) Any earned income tax credit;

(viii) **Adoption** assistance in excess of any amount determined
pursuant to HUD's definition of annual income at 24 CFR
5.609(c).
7 CFR PART 3555 / HB-1-3555
LEARNING CHECKS
Question Slide

“Topic”

• Question will be bulleted with scenario, or
• Include a statement/question

TRUE/FALSE or other answer options will be displayed
“Topic”

ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

- Additional guidance for clarification may be provided
Appraisals

The appraiser will determine the appropriate appraisal form for the property and assignment.

A. TRUE  B. FALSE
Appraisals

ANSWER: 3555.107(d) and HB 12.5 B

A. TRUE

- Appraiser is trained expert
- Appraiser must conduct report in accordance with USPAP guidelines
Appraisals

• Bixby Bank orders an appraisal, but cannot complete the transaction
• Applicant goes to Orange Lending
• Orange Lending requests the appraisal from Bixby Bank to save applicant money
• Orange Lending may use this appraisal

A. TRUE     B. FALSE
Appraisals

ANSWER: 3555.107(d)(7) and HB 12.5 B

A. TRUE

• Recipient lender must assume all responsibility for the transferred appraisal
• Transferring lender must provide letter to state the transfer is approved
• Appraisal validity dates apply
Appraisals

- Appraisal completed June 1\textsuperscript{st}
- Loan closing moved to October 4\textsuperscript{th}
- Appraisal will be 120 days old on September 29\textsuperscript{th} (120 days)
- Lender must order a new appraisal

A. TRUE    B. FALSE
Appraisals

ANSWER: 3555.107(d)(7) and HB 12.5 B

B. FALSE

- Lender is allowed a 30 day grace period
- No request to USDA is required
- When 150 days is breeched, an appraisal update or new appraisal will be required
Appraisals

• Subject property appraisal dated March 15\textsuperscript{th}
• Property history reflects the previous sale was on January 5\textsuperscript{th} of this year
• This is a “flip” transaction, and therefore ineligible

A. TRUE  B. FALSE
Appraisals

ANSWER: 3555.107(d) and HB 12.5 B

B. FALSE

- Appraiser has noted the sales history
- Appraiser must be aware of any renovations or rehabilitation that may have taken place since purchase
- Appraiser will review the property, comps, and determine their opinion of market value
Appraisals

- Appraisal completed March 29th
- Loan closing moved to November 5th
- Appraisal will be 120 days old on July 27th
- Lender may order an appraisal update

A. TRUE        B. FALSE
Appraisals

**ANSWER:** 3555.107(d)(7) and HB 12.5 B

A. TRUE

- Appraisal updates extend the validity period up to 240 days from the original completion date
- Original appraisal completed March 29\(^{th}\) plus 240 days = November 24\(^{th}\)
- When 240 days is breeched, a new appraisal will be required
Appraisals

Every appraisal report has an administrative review performed by USDA staff.

A. TRUE    B. FALSE
Appraisals

ANSWER: 3555.107(d)(4) and HB 12.5 E 1

A. TRUE

- USDA completes an administrative review on every appraisal
- This review is completed prior to issuance of Form RD 3555-18/18E (conditional commitment)
Appraisals

The _______ review is performed to determine if the appraisal is complete, clearly reasoned, and has adequate support for the conclusion of value.

A. technical desk          B. technical field
Appraisals

ANSWER: 3555.107(d)(4) and HB 12.5 E 2

A. technical desk

Technical desk reviews:

• Ensure USPAP format is in compliance
• USDA may require as “spot check” and quality control
• USDA may request this review for appraisals that exhibit weaknesses
Appraisals

An on-site visit to the subject property and comparable properties listed is a ______ review.

A. technical Desk        B. technical Field
Appraisals

ANSWER: 3555.107(d)(4) and HB 12.5 E 3

B. technical field

Technical field reviews:
• Ensure USPAP Standard 3 Review format met
• USDA may require as “spot check” and quality control
Appraisals

Appraisals must meet USPAP standards: Uniform Standards of Professional Appraisal Practice.

A. TRUE  B. FALSE
Appraisals

ANSWER: 3555.107(d)(1) and HB 12.5

A. TRUE

- Appraisals must meet USPAP standards
- Appraisers must be licensed or certified in the State where the property is located
Appraisals

Appraisers are not required to assess environmental hazards.

A. TRUE       B. FALSE
Appraisals

ANSWER: 3555.107(d)(3) and HB 12.5

B. FALSE

- Appraisers must note property deficiencies, including environmental hazards
- Any items that affect the health and safety or occupants, or structural integrity of the collateral must be noted
Appraisals

• Manufactured home
• Appraisal completed on Fannie Mae Form 1004/Freddie Mac Form 70 for a SFH dwelling
• This is an acceptable form

A. TRUE       B. FALSE
Appraisals

ANSWER: 3555.107(d) and HB 12.5 B

B. FALSE

• Manufactured Homes: Fannie Mae 1004C/Freddie Mac 70B is required for manufactured homes
• Appraisers are responsible to select the appropriate appraisal form for the dwelling
WAY TO GO!
Regulations

GovDelivery Sign up

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