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Appraisals

Single Family Housing Guaranteed Loan Program



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Training Objectives

- Where is the topic located?
 - * 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources



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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.



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Guaranteed Loan Program Regulation

7 CFR Part 3555

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



7 CFR Part 3555

<http://www.rd.usda.gov/publications/regulations-guidelines>

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7 CFR Part 3555



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HB-1-3550

Direct Single Family Housing Loans and Grants - Field Office Handbook

HB-2-3550

Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook

HB-1-3555

SFH Guaranteed Loan Program Technical Handbook

HB-1-3560

MFH Loan Origination Handbook

HB-2-3560

MFH Asset Management Handbook

HB-3-3560

MFH Project Servicing Handbook

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Guaranteed Rural Rental Housing Program Origination and Servicing Handbook

Application Information Systems Support Handbook

HB-1-3550

Direct Single Family Housing Loans and Grants - Field Office Handbook

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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Acronyms

Glossary

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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



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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.



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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.



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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.



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Guaranteed Loan Program Technical Handbook

HB-1-3555

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters



HB-1-3555

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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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



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TIPS

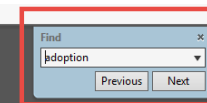
- Underwriter = USDA Approved Lender
- USDA = not an underwriter
- Research Rule & HB questions: Table of Contents
- Research Rule & HB questions: Control + F

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);





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7 CFR PART 3555 / HB-1-3555

LEARNING CHECKS



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Question Slide

“Topic”

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

TRUE/FALSE or other answer options will be displayed



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ANSWER SLIDE

“Topic”

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

X. Correct Response

- Additional guidance for clarification may be provided



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LET'S GET **STARTED**





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Appraisals

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

A. TRUE B. FALSE



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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



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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



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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



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Appraisals

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

A. TRUE

B. FALSE



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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



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Appraisals

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

A. TRUE

B. FALSE



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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



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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



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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 29th plus 240 days = November 24th
- 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



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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



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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



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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



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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



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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



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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



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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



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WAY TO GO!



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