

# Appraisals

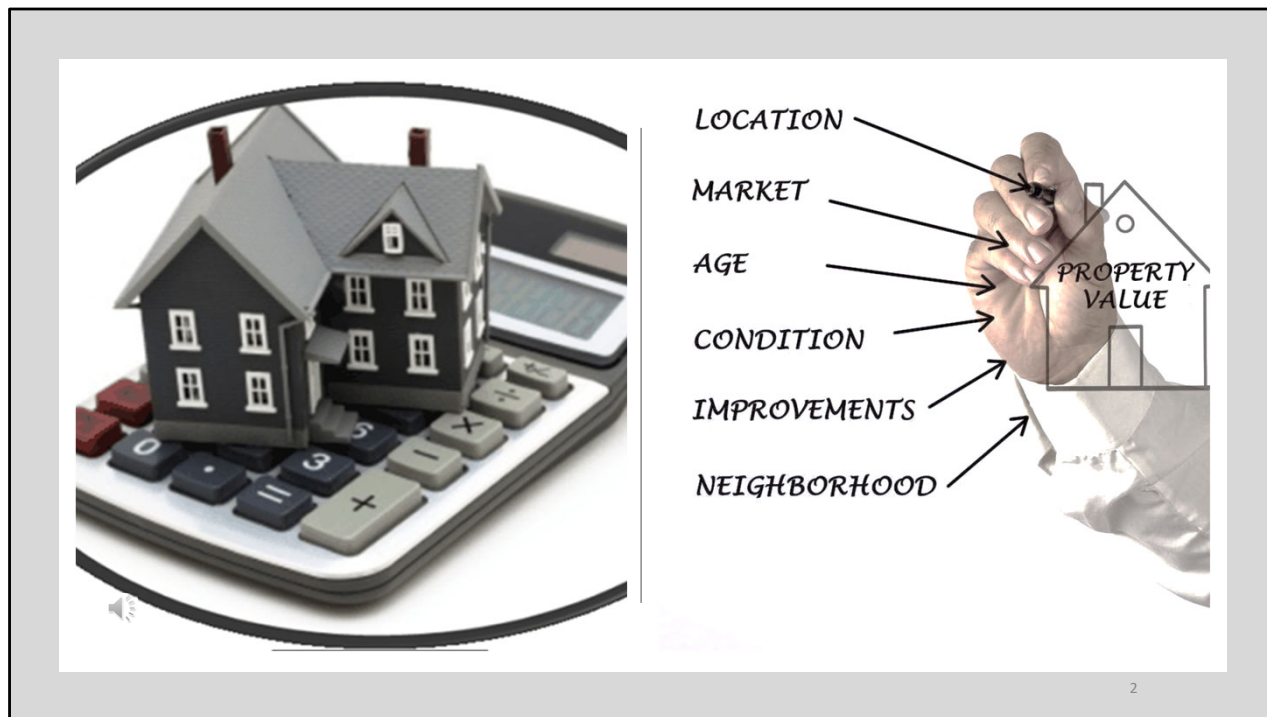
Single Family Housing Guaranteed Loan Program  
(SFHGLP)



November 2020



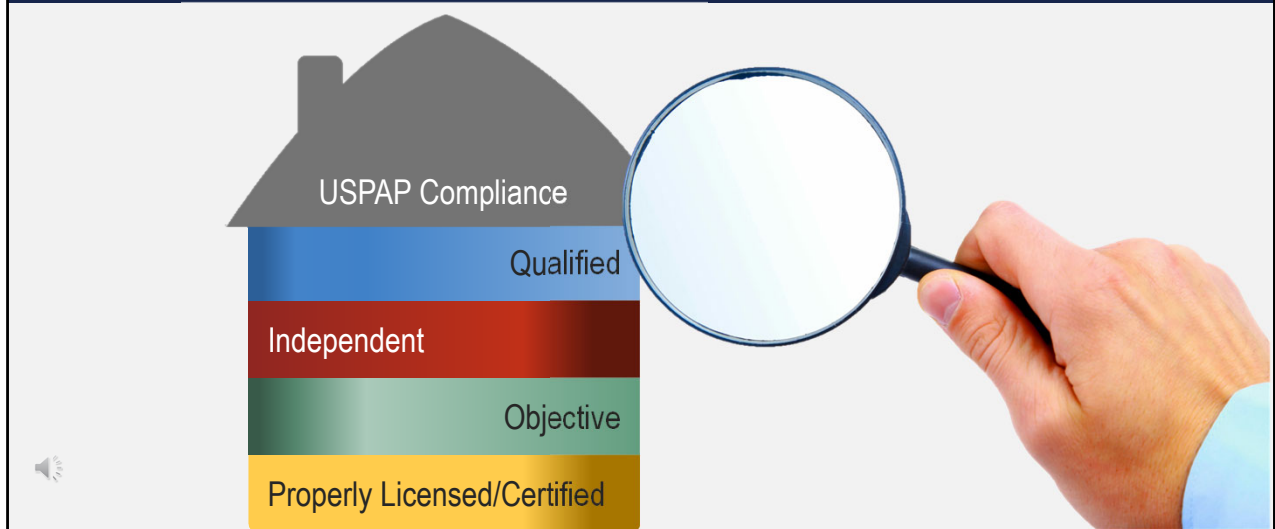
Welcome to the Appraisals training module presented by USDA's Single Family Housing Guaranteed Loan Program.



- Appraisals are essential for ensuring loans are correctly collateralized.
- The primary focus of the Appraisal process is to establish an estimate of value that is defensible and supportable, and to ensure properties are determined to meet the current minimum property requirements.
- Additional and more specific agency guidance is provided through this training module.

## Appraiser Qualification

HB-1-3555, Chapter 12.5 A



- The lender must ensure that appraisals are completed by a qualified appraiser that is independent and objective.
- Qualified appraisers are properly licensed and/or certified in the property state and comply with the Uniform Standards of Professional Appraisal Practice (USPAP).

## Appraisal Reports

HB-1-3555, Chapter 12.5 B

Reporting  
Requirements

Uniform  
Appraisal Data  
Set (UAD)

Appraisal  
Forms

USPAP

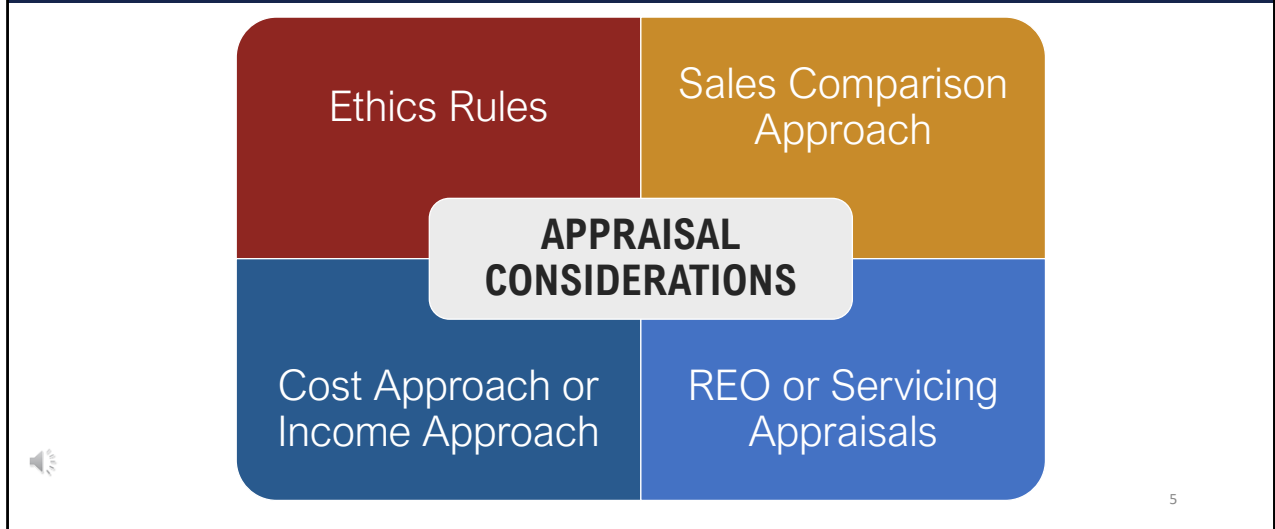
Uniform Standards of Professional Appraisal Practices

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- Appraisal reports must comply with the reporting requirements of USPAP and meet the Uniform Appraisal Dataset (UAD) set forth by Fannie Mae and Freddie Mac.
- The Appraiser will determine the appropriate form: URAR, Manufactured Home Appraisal, or Individual Condominium Unit Appraisal.

## Appraisal Considerations

HB-1-3555, Chapter 12.5 B

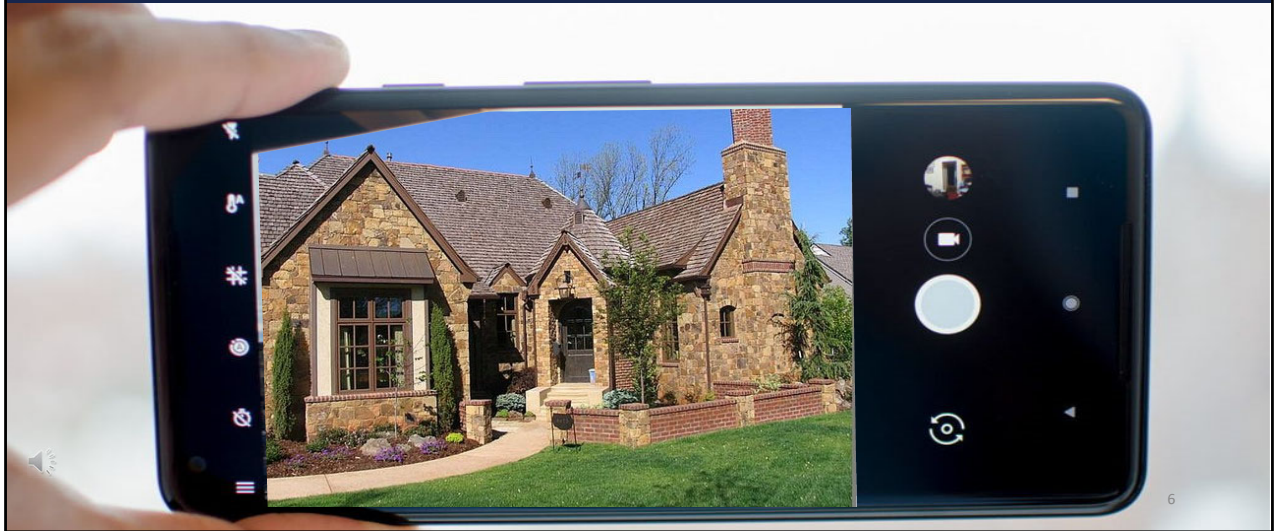


### Appraisal Considerations:

- USPAP Ethics Rules do not permit the appraiser to discuss the report with anyone other than the client.
- Therefore, it is recommended that USDA be identified as an intended user with the lender.
- The market or sales comparison approach is required in all cases.
- The appraiser will determine if the property or situation would require either the cost approach or the income approach.
- Appraisals prepared for REO purposes, loan servicing consideration, or purposes other than a Guaranteed purchase or refinance are ineligible for originating a guaranteed loan.

## Appraisal Photographs

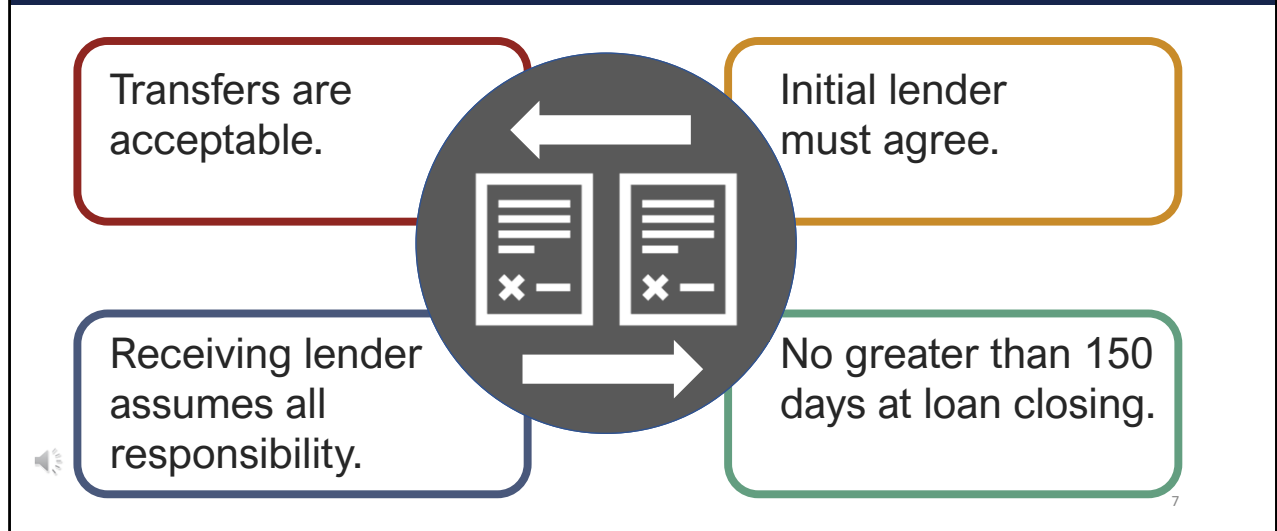
HB-1-3555, Chapter 12.5 B



- Appraisal Photographs must be in color and clearly represent the property's condition and quality (including improvements, deterioration, amenities, conditions and external influences to value).
- An appraisal with an interior and exterior inspection must include at least the following photos: front and rear of property, street scene, kitchen, main living area, bathrooms, bedrooms, any other rooms showing overall condition including updates and remodeling, basement/attic/crawl space, and comparable sales photos.
- Condo projects must include photos of common areas and shared amenities.

## Appraisal Transfers

HB-1-3555, Chapter 12.5 B



- The transfer of an appraisal ordered by another lender for the applicant is acceptable.
- The initial lender must agree to transfer the report.
- The receiving lender assumes all responsibility for the accuracy of the report.
- The Appraisal must be no older than 150 days at loan closing to be valid.

## Appraisal Updates

HB-1-3555, Chapter 12.5 B



Appraisal initially valid for 150 days from effective date.



Lenders may extend to 240 days (extra 90 days beyond initial period) with one-time Appraisal Update Report.



### Appraisal Updates

- An appraisal report is initially valid for 150 days from the effective date
- Lenders may extend that period to 240 days (an extra 90 days beyond the initial period) with a one-time Appraisal Update Report.



## Property Flipping

HB-1-3555, Chapter 12.5 B



Property flipping is not prohibited.



Lender is responsible for ensuring that a recently sold property's value is strongly supported by the appraisal report, to protect applicants from possible predatory lending.

### Property Flipping

- USDA has no rule against property flipping. The lender is responsible for ensuring that a recently sold property's value is strongly supported by the appraisal report, to protect applicants from possible predatory lending.

#### Agency Review

- USDA reviews all appraisals with form RD1922-15 Administrative Appraisal Review.
- If the reviewer detects concerns, the report is referred to USDA's Regional Agency Appraiser for a technical review
- If the report is determined inadequate, the lender will be informed of the corrections needed prior to consideration of a loan guarantee.
- The lender is responsible to communicate and initiate corrective action with the appraiser.

## Appraisal Consideration: Remote Areas

HB-1-3555, Chapter 12.5 F



Appraiser may utilize other methods of valuation in compliance with USPAP.



Appraiser will explain the lack of sales comparison approach.



- In remote rural areas, on tribal lands, or in areas with a lack of market activity, it may be difficult to obtain comparable sales. In these instances, the appraiser may utilize other methods of valuation in compliance with USPAP regulations.
- Appraisers will explain the exclusion of the sales comparison approach.

# LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



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The best way to learn information is to test your knowledge!

## QUESTION

*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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Each question slide will list:

- the topic
- A question or scenario, and
- potential responses.

# ANSWER

*Topic*

*7 CFR Part 3555 and HB-1-3555 references provided*

## **X. Correct Response**

- Additional guidance for clarification may be provided



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The answer slide will list:

- The topic
- The reference to the answer from the regulation and handbook
- The correct response, and
- Any additional clarification that may be helpful.

*Ready?*

LET'S GET  
STARTED!



Let's get started!

## QUESTION

### 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



Read the question on the slide and select a response.



## ANSWER

### Appraisals

*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.



True.

The recipient lender, in this example Orange Lending, must assume all responsibility for the integrity and completion of the appraisal that has been transferred to them from Bixby Bank. USDA will now assume that the appraisal submitted by Orange Lending meets their standards and was completed under the regulation and technical handbook requirements.

The transferring lender, Bixby Bank, must provide a letter to the new lender which states they approve of transferring their property to a different lender.

The date of the appraisal report will continue to determine when it will expire.

## QUESTION

### Appraisals

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

A. TRUE      B. FALSE



Read the question on the slide and select a response.

## ANSWER

### Appraisals

*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.



- False.
- Appraisers are required to research the subject property including previous sale dates and sale prices. They will document this in the appraisal report.
- The appraiser must be aware of renovations, rehabilitation, or other updates that may have occurred since the prior purchase. These items may influence the opinion of value.
- It is the appraiser's responsibility to review the subject property, comparable properties, and determine their opinion of market value.
- USDA relies upon the appraiser's research and expertise to arrive at a valid opinion of value to support the collateral and loan request.

## QUESTION

### Appraisals

- Appraisal completed March 29.
- Loan closing moved to November 5.
- Appraisal will be 150 days old on August 26.
- Lender may order an appraisal update.

A. TRUE      B. FALSE



Read the question on the slide and select a response.

## ANSWER

### Appraisals

*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<sup>th</sup> plus 240 days = November 24<sup>th</sup>.
- When 240 days is breached, a new appraisal will be required.



- True.
- The lender may request an appraisal update to extend the validity period of the current appraisal report.
- An appraisal update will extend the validity period of a current appraisal up to 240 days from the original completion date.
- In this example the appraisal was completed on March 29<sup>th</sup>. A appraisal update would extend the report only up to November 24<sup>th</sup>.
- When the 240 day timeframe is breached, a whole new appraisal report will be required for the loan package if the loan is not closed.

## QUESTION

Appraisals

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

A. TRUE      B. FALSE



Read the question on the slide and select a response.

## ANSWER

### Appraisals

*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)



- True.
- USDA will complete an administrative appraisal review of every appraisal submitted.
- The review is completed before a conditional commitment is issued by USDA.
- If the appraisal is selected for a random second level review or if issues are detected within the appraisal report, it will be elevated to a USDA Regional Appraiser for a technical desk review or a technical field review.

## QUESTION

Appraisals

When an Appraisal Report is transferred from one Lender to another, the receiving Lender is not responsible for the accuracy of the appraisal since they did not hire the appraiser.

A. TRUE      B. FALSE



Read the question on the slide and select a response.



## ANSWER

Appraisals

*3555.107 and HB 12.5 B*

### **A. FALSE**

- The receiving Lender assumes all responsibility for the accuracy of the report



The receiving lender assumes all responsibility for the accuracy of the report.

## QUESTION

### Appraisals

Appraisal reports that will be more than 150 days old at loan closing may be extended for an additional \_\_\_\_ days by the Appraiser issuing an Appraisal Update Report.

- A. 60
- B. 90
- C. 120



Read the question on the slide and select a response.

## ANSWER

### Appraisals

*HB 12.5*

#### **B. 90 days**

- An appraisal report may be extended for an extra 90 days beyond the initial period with a one-time Appraisal Update Report.



### Appraisal Updates

- An appraisal report is initially valid for 150 days from the effective date
- Lenders may extend that period to 240 days (an extra 90 days beyond the initial period) with a one-time Appraisal Update Report.

## QUESTION

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



Read the question on the slide and select a response.

## ANSWER

Appraisals

*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.

False.

Manufactured homes must have appraisals completed on the appropriate form. The Fannie Mae 1004C/Freddie Mac 70B has been created for the appraisal of manufactured homes.

Appraisers are responsible to select the appropriate form for the dwelling.

*Way to Go!*  
LEARNING CHECK  
COMPLETED!



Way to go! You have completed the learning checks!

## Lender Toolkit



Rural Development has developed numerous tools and resources to assist lenders with originating, processing, and servicing guaranteed loans.

- This training module has provided you with an overview of the key requirements of Appraisals.
- Complete program requirements and guidance on this topic can be found in 7 CFR Part 3555, Section 3555.107(d), and Chapter 12 of HB-1-3555.
- Be sure to bookmark these references, save yourself valuable time by using Ctrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
- The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.



**Have a question on POLICY?**

Contact the PAC team!



**Need TRAINING?**

Contact the LPA team!



**Have a question on a SPECIFIC FILE?**

Contact the OPD!



USDA Rural Development U.S. DEPARTMENT OF AGRICULTURE	
Single Family Housing Guaranteed Loan Program (SFHGLP) Contacts & Resources	
TOPIC	CONTACT
File-Specific Questions	Production Team One: <a href="mailto:SFHGLPONE@usda.gov">SFHGLPONE@usda.gov</a> AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY
Information to include in email:	Production Team Two: <a href="mailto:SFHGLPTWO@usda.gov">SFHGLPTWO@usda.gov</a> AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK
<ul style="list-style-type: none"> <li>Identify the state the application is located; if applicable;</li> <li>Provide applicant's name and USDA borrower ID, if applicable;</li> <li>GUS loan number, if applicable</li> <li>Include contact information; and</li> <li>Indicate if you would like a call back (otherwise you will receive an email reply)</li> </ul>	Production Team Three: <a href="mailto:SFHGLPTHREE@usda.gov">SFHGLPTHREE@usda.gov</a> CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV
Lender Approval/Recertification	Production Team Four: <a href="mailto:SFHGLPFOUR@usda.gov">SFHGLPFOUR@usda.gov</a> FL, IN, OH, PA, PR, TN, VA, VI
Lender Self-Report	<a href="mailto:sfhgld.compliance@usda.gov">sfhgld.compliance@usda.gov</a>
Program Training	<a href="mailto:sfhgld.lenderpartner@usda.gov">sfhgld.lenderpartner@usda.gov</a>
Program Marketing & Outreach	
General Loan Scenario Questions	<a href="mailto:sfhgld.program@usda.gov">sfhgld.program@usda.gov</a>
Loan Policy/Regulation/Handbook	
Loan Servicing	<a href="mailto:sfhgld.servicing@usda.gov">sfhgld.servicing@usda.gov</a>
Technical Issues: GUS	<a href="mailto:RD.HD@USDA.GOV">RD.HD@USDA.GOV</a>
Technical Issues: e-Authentication	E-Authentication FADIC: ( <a href="https://www.eauth.usda.gov/eauth/usda/faq">https://www.eauth.usda.gov/eauth/usda/faq</a> ) E-Authentication Contact Us: ( <a href="https://www.eauth.usda.gov/eauth/usda/contactus">https://www.eauth.usda.gov/eauth/usda/contactus</a> )
Loss Claims	<a href="mailto:guarantee.svc@usda.gov">guarantee.svc@usda.gov</a>
Monthly & Quarterly Status Reporting	
GUS User Agreements	<a href="mailto:rd.nfac.hsrb@usda.gov">rd.nfac.hsrb@usda.gov</a>
TOOLS & RESOURCES	
Regulation and Handbook: <a href="https://www.rd.usda.gov/resources/directives">https://www.rd.usda.gov/resources/directives</a>	
Lender Webpage—Turn times, contact information, and helpful links: <a href="https://www.rd.usda.gov/page/sfh-guaranteed-lender">https://www.rd.usda.gov/page/sfh-guaranteed-lender</a>	
USDA LINC—Training modules, user guides, and more useful resources: <a href="https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library">https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library</a>	
GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: <a href="https://public.govdelivery.com/accounts/USDA/RO/subscriber/new">https://public.govdelivery.com/accounts/USDA/RO/subscriber/new</a>	

- Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we're here to help.
- All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
- If you would like to request additional program training, contact our Lender and Partner Activities Branch.

The Single Family Housing Guaranteed Lender webpage was specifically designed for our lending partners and includes information such as:

- Current turn times on new loan applications
- Contact information, and
- Links to program resources such as our 3555 Handbook and the [USDA LINC](#) website.
- Also, don't forget to sign up for our GovDelivery email notifications. Rural Development sends out origination, GUS, and servicing messages to alert lenders of new publications, clarifications, and additional program updates.

Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America's rural homebuyers!



[www.rd.usda.gov](http://www.rd.usda.gov)

1 (800) 800-670-6553

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This will conclude the training module. Thank you and have a great day!