Welcome to Appraisals, presented by USDA's Single Family Housing Guaranteed Loan Program!
The objectives of the training include:
1. Demonstrating where the training topic is located in the program regulation, 7 CFR Part 3555 and the technical handbook, HB-1-3555.
2. Providing learning checks to help you gain a working knowledge of the topic, and
3. Links to online resources to assist in locating program information.
Every effort has been made to ensure this training and all references are accurate, however, new program revisions and clarifications may occur. Therefore, please ensure you always reference the most recent USDA publications available online.

This training module is not intended to replace the need to reference the regulation, technical handbook, and additional USDA published documents regarding the Guaranteed Loan Program.
Guaranteed Loan Program Regulation
7 CFR Part 3555
- Final Rule Effective: March 9, 2016
- Eight Subparts: A – H
- Appendix 1

7 CFR Part 3555 is the program regulation. It is the first place users should look for the answers to their questions. The regulation is the rule and it cannot be overridden by the technical handbook. The 7 CFR Part 3555 is comprised of 8 subparts, A through H. You can access the full regulation online as Appendix 1 from the Regulations and Guidelines website.
The Regulations and Guidelines website is located from the link shown on the slide. Under “Rural Development” there are many items available from this home page. To access the regulation, select “Handbooks.”
A list of all USDA Rural Development handbooks will display. Be sure to select the correct technical handbook: HB-1-3555. Once HB-1-3555 is selected, the entire handbook, including all appendix will display for selection. Appendix 1 is the full regulation, 7 CFR Part 3555.
Appraisal guidance is located in Subpart C, Section 3555.107.
The regulation Table of Contents provides a quick view of the individual topics included under this Section.
3555.107(d) outlines the requirements for a current appraisal report to support the value of the subject collateral.

Appraisals must be completed in accordance with USPAP standards and practices.

Approved lenders must ensure the appraiser is qualified to complete the appraisal.

The appraiser must report all observable property deficiencies, environmental hazards, and other adverse conditions in the appraisal report.
USDA will review all appraisals before a conditional commitment will be issued. Some appraisals may be selected for additional levels of review. If any deficiencies are discovered, USDA will contact the approved lender to request correction.

USDA may determine that an appraiser is not eligible to complete appraisals for approved lenders for guaranteed lenders. This determination is made by the Agency when an appraiser has submitted multiple instances of unacceptable appraisals that do not meet USPAP and additional regulatory requirements.

Appraisers are granted flexibility in their opinion of value when the property is considered to be located in a remote rural area where sales and comparable properties may be in short supply.

Appraisals are valid for 120 days, unless otherwise provided by the Agency. USDA does allow a 30 day grace period in the technical handbook. Therefore, appraisals are technically valid for 150 days.
The 7 CFR Part 3555 regulation cannot cover every topic and every potential scenario, therefore a technical handbook has been published to support the regulation and provide additional clarification. HB-1-3555 has 20 chapters.
The handbook may be accessed from the Regulations and Guidelines website. Appraisals are located in Chapter 12.
This screen shot displays the Table of Contents of Chapter 12. This helps the user to locate specific topics more quickly.
TIPS

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

A few helpful tips:
The underwriter of the loan is the approved lender’s underwriter. USDA is NOT the underwriter of the loan.
When researching topics, it is helpful to begin with the Table of Contents for the regulation and the handbook.
A great best practice when searching for information is to open the regulation or a handbook chapter, select the “Control” button on the keyboard, hold it down, and then also select the “F” key. A keyword search box will appear. Enter a keyword or phrase to locate information more quickly.
The best way to learn information is to test your knowledge!
Each question slide will list:
• the topic
• a question or scenario, and
• potential responses.
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.
Let’s get started!
Appraisals

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

A. TRUE  B. FALSE

Read the question on the slide and select a response.
True.
The appraiser is an educated and well trained expert in documenting appraisals and making the property type determination. Appraisers must complete appraisal reports in accordance with applicable 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

Read the question on the slide and select a response.
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 any 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.
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

Read the question on the slide and select a response.
False.
Appraisals are valid for 120 days plus a 30 day grace period, therefore they are valid for 150 days.
No request to USDA is required to utilize the 30 day grace period extension.
If the appraisal will be more than 150 days old at the time of loan closing, an appraisal update or new appraisal report 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

Read the question on the slide and select a response.
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 any renovations or rehabilitation that may have taken place since purchase. Appraiser will review the property, comps, and determine their opinion of market value.

USDA relies upon the appraisers research and expertise to arrive at a valid opinion of value to support the collateral and loan request.
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

Read the question on the slide and select a response.
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 29th. A appraisal update would extend the report only up to November 24th.
When the 240 day timeframe is breeched, a whole new appraisal report will be required for the loan package if the loan is not closed.
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.
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.
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

Read the question on the slide and select a response.
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

Response: Technical desk

The technical desk review is completed by USDA to:
- Ensure the appraisal is compliant with USPAP guidelines and standards,
- Spot check appraisals and perform quality control, and
- Review appraisals that may exhibit weaknesses, miscalculations, and other questionable verbiage or conclusions.
Appraisals

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

A. technical Desk    B. technical Field

Read the question on the slide and select a response.
Response: Technical field
Technical field reviews help ensure the USPAP Standard 3 Review format is met. The technical field review also serves as a spot check for quality control of appraisals received by USDA.
Appraisals

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

A. TRUE      B. FALSE

Read the question on the slide and select a response.
True.
USDA requires all applicable USPAP standards be met.
Appraisers must be licensed or certified in the State where the property is located when they complete the appraisal for the subject property.
Appraisals

Appraisers are not required to assess environmental hazards.

A. TRUE       B. FALSE

Read the question on the slide and select a response.
False.
Appraisers must certainly note property deficiencies which includes environmental hazards. They must also note any items that affect the health and safety of the occupants. This also includes the structural integrity of the collateral.
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.
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 appraisal form for the dwelling.
Way to go! You have completed the learning checks!
Don’t forget the Regulations and Guidelines website is a wonderful source of USDA guideline knowledge.
Please sign up for GovDelivery messages. USDA sends out origination (including 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! We appreciate the opportunity to help you serve more rural homebuyers!
This will conclude the training module. Thank you and have a great day!