



September 26, 2022

Rural Development

Joaquin Altoro
Administrator

Rural Housing Service
1400 Independence Ave, SW
Room 5011-S
Washington, D.C. 20250

Telephone: (202) 720-1494

TO: State Directors
Rural Development

ATTN: All Single Family Housing Direct
State and Field Employees

FROM: Jamal Habibi /s/ *Jamal Habibi*
Acting Administrator
Rural Housing Service

SUBJECT: Temporary Authorization to Accept Authorized
Third-Party Appraisals
Single Family Housing Direct Programs

PURPOSE:

This memorandum provides temporary authorization to accept appraisals obtained by self-help grantees, certified loan application packagers, Agency-approved intermediaries, and leveraged or other participating lenders. This temporary authorization is needed given the record-high market demand for purchase appraisals and the timeliness issue this demand can cause.

This temporary authorization is effective as of the date of this memorandum and expires on September 30, 2023.

BACKGROUND:

In general, appraisals for the direct programs are ordered under the nationwide contract with Appraisal Management Companies (AMCs). Given the demand for appraisals and the remoteness of some rural homes authorized third parties may be able to work with local appraisers to obtain acceptable appraisals timelier than the contracted AMCs. Authorized third parties include self-help grantees; certified packagers; Agency-approved intermediaries; or non-Agency funding sources who are supplementing the Agency loan with a market rate or other subsidized financing product in accordance with [HB-1-3550, Chapter 10, Paragraph 10.2](#), of at least \$500. Cash contributions by the applicant, gifts from individuals, donations of land, and seller contributions do not count as leveraged or participation amounts and therefore these sources are not authorized third parties.

EXPIRATION DATE:
September 30, 2023

FILING INSTRUCTIONS:
Housing Programs

IMPLEMENTATION RESPONSIBILITIES:

The Agency will temporarily accept appraisals ordered by the authorized third parties specified above PROVIDED:

- Once a property has been identified, but prior to the submission of Packaging Phase 2: Property Submittal Cover Letter for packaged loan applications ([HB-1-3550, Attachment 3-A](#)), the authorized third party:
 - Notifies the Rural Development (RD) processing office of their intent to order the appraisal, the cost of the appraisal (though it will not be ordered at this time)
 - Within three business days of receiving this notification, RD will issue the applicant a Loan Estimate (LE) tailored for this temporary authorization along with a tailored Handbook Letter 5. This LE has an applicant signature line and can be found on the [SFH Direct SharePoint](#) site along with the letter.
 - RD will list the cost of the appraisal as provided by the third party, which may exceed the Agency's prevailing appraisal fee ([HB-1-3550, Chapter 5, Paragraph 5.20](#)).
 - Orders the appraisal **only** after:
 - Receiving notification from the RD processing office that the applicant has signed the LE.
 - Explaining to the applicant that they are ordering the appraisal on the applicant's behalf and that the applicant will have to cover the fee, out-of-pocket, if the loan does not close.
 - The third party may choose to collect the appraisal fee from the applicant prior to ordering. The appraisal fee, even though paid to the third party, is an allowable excess cost and is eligible to be reimbursed to the borrower from their loan proceeds at loan closing. A paid receipt must be forwarded to the field office to ensure proper credit and disclosure on the settlement statement.
- The authorized third party provides the RD processing office with a copy of the paid invoice for the appraisal along with a copy of the appraisal that:
 - Meets the Uniform Standards of Professional Appraisal Practice and Agency appraisal standards, as described in [HB-1-3550, Chapter 5](#), and [7 CFR 3550, § 3550.62](#) Appraisals.
 - Lists Rural Development as an "intended user".
- The appraisal is reviewed for acceptability by the Agency.
 - Field staff must enter information on the usage of this temporary authorization into the SFH Direct SharePoint [here](#) for tracking purposes.
 - The RD processing office completes Form RD 1922-15, "Administrative Appraisal Review for Single Family Housing."
 - At a minimum, the first five appraisals obtained by a third party will receive a pre-closing technical review.
 - All appraisals submitted by third parties, which are subject to a technical pre-closing review, must be entered into the [Appraisal Hub on SharePoint](#) to assist with the monitoring of performance and compliance. When completing the appraisal review request, select "Third Party Section 502 Direct UL" in the "Program Name" field and upload the appraisal report and the completed Administrative Appraisal Review form.

- RD staff appraisers should complete their review within three business days. At the discretion of the appraisal staff, additional revisions or reviews may be required.
- When additional revisions are needed, they will be addressed by RD staff appraisers, in coordination with the loan specialist, and the third party.

- Once the Administrative Appraisal Review (and any applicable technical pre-closing review) determines the appraisal is acceptable, the RD processing office must ensure the applicant is promptly provided a copy of the appraisal, which must be at least three business days prior to closing.
- The SFH Direct Loan Division and the Appraisal Services Branch will coordinate and assess the performance of this temporary authorization on an ongoing basis.

Loan funds may be used to reimburse the payor of the appraisal fee at loan closing. The amount of reimbursement for the appraisal may exceed the Agency's standard appraisal fee ([HB-1-3550, Chapter 5, Paragraph 5.20](#)). The RD processing office will send the paid invoice for the appraisal and instructions for "paid outside of closing" reimbursement to the closing agent for proper disclosure and settlement.

State Offices and authorized third parties with questions regarding this memorandum can contact Jeremy.Anderson@usda.gov with appraisal related questions and Jennifer.Rydberg@usda.gov with TRID related questions.