

SINGLE FAMILY RESIDENTIAL APPRAISAL

DESCRIPTION OF AGREEMENT (STATEMENT OF WORK)

OBJECTIVE

Rural Development requires the services of a qualified person or firm to provide appraisal services for the purpose of estimating the market value of single family residential property. If required, the Contractor shall defend the appraisal in court or in the USDA appeals process. If testimony is required within two years of the appraisal date, Rural Development and the Contractor will negotiate an hourly rate plus reasonable reimbursement for transportation, lodging and meals.

SCOPE

The Contractor must be a licensed or certified general real estate appraiser in compliance with the North Dakota Real Estate Appraiser Qualifications and Ethics Real Property Appraiser Rule and Regulations. The Contractor shall provide appraisals which will be used to determine the market value of single family residential property for loan making, servicing, acquisition, and sale. All appraisals required by this Statement of Work shall be submitted to the Rural Development office within **7 calendar days** after receipt of the order or as negotiated by the Contracting Officer. The Contractor shall submit an original and one copy of each appraisal report or the report may be submitted electronically as an Adobe PDF file provided the report includes an electronic signature.

DETAILED WORK REQUIREMENTS

1. Primary Documentation: All appraisals (including liquidation) shall be completed on the most recent version of the Uniform Residential Appraisal Report (URAR) and/or other appropriate appraisal forms as listed below:
 - **URAR** (FNMA Form 1004/FHLMC Form 70).
 - **Manufactured Home Appraisal Report and addendum** (FNMA Form 1004C/FHLMC Form 70B).
 - **Individual Condominium Unit Appraisal Report** (FNMA Form 1073/FHLMC Form 465).
 - **Exterior-Only Inspection Individual Condominium Unit Appraisal Report** (FNMA Form 1075/FHLMC Form 466).
 - **Exterior-Only Inspection Residential Appraisal Report** (FNMA Form 2055/FHLMC Form 2055).
 - **Appraisal Update and/or Completion Report** (FNMA Form 1004D/FHLMC Form 442).

2. The appraisals shall be completed giving due consideration for the following:
- Uniform Standards of Professional Appraisal Practice (USPAP): Appraisals shall fully comply with the USPAP as well as the specific requirements of this Statement of Work and HB-1-3550. In accordance with the confidentiality section of the USPAP ethics provision, the appraiser will not disclose the results of an assignment to anyone other than their client(s). The appraiser will perform a complete appraisal (as defined in USPAP) to produce a summary appraisal report in accordance with USPAP Standards Rule 2-2(b).
 - Use of Comparables: **Use of Rural Development direct financed comparable sales is prohibited.** At least three non-Rural Development direct financed comparable sales of single family residential properties which sold within the past 12 months will be used in the Sales Comparison Analysis. This requirement does not exclude the use of comparable sales financed with Rural Development Guaranteed loans or additional comparable sales older than 12 months which provide good indications of value.
 - Cost Approach: Form 1007, "Square Foot Appraisal", will be completed in accordance with the Marshall & Swift Residential Cost Handbook only for new or existing properties less than one year of age or when the estimated market value of the property is based primarily upon the cost approach. In all other instances, the cost approach portion of the appropriate form will be completed. The Estimated Remaining Economic Life must be stated in the comments section of the cost approach of the appropriate form for all appraisal reports.
 - Approaches to Property Value: The sales comparison approach and the cost approach will be utilized for all appraisals, however, the cost approach will not be utilized for condominiums. These two approaches and the income approach will be utilized for properties designated by Rural Development as non-program.
 - Liquidation Value: Liquidation Value (for Guaranteed Rural Housing loss claims only) is defined as the most probable price that a specified interest in real property is likely to bring under all of the following conditions:
 - Consummation of a sale will occur within a severely limited future marketing period specified by the client (30 days).
 - The actual market conditions currently prevailing are those to which the appraised property interest is subject.
 - The buyer is acting prudently and knowledgeably.
 - The seller is under extreme compulsion to sell.
 - The buyer is typically motivated.
 - The buyer is acting in what he or she considers his or her best interest.
 - A limited marketing effort and time will be allowed for the completion of a sale.
 - Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
 - The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

3. Special Assessments: All appraisals will contain a statement indicating whether the appraised market value has been determined based on all the special assessments being paid in full by the seller or being assumed by the buyer.

4. Supporting Documentation: Documentation supporting the development of the appraisal shall be submitted as part of the completed appraisal report. As a minimum, the supporting documentation shall include the following:
 - Provide current photographs of the subject property (minimum of front and side, rear and opposite side, and street scene). A current photograph of each comparable sale used in the completion of the appraisal is also required.
 - Reconciliation of the value indications from each approach and the final estimate of value will be provided in a narrative form. This statement will include the reasoning which supports the final estimate of value.
 - Written explanation and documentation to support adjustments will be provided when the appraisal reviewer requests an explanation for an adjustment. An appraisal reviewer may request documentation when an individual adjustment exceeds 10 percent of the comparable's sale price or when the net adjustments exceed 15 percent or the gross adjustments exceed 25 percent of the comparable's sale price.
 - A map which identifies the location of the subject property and comparable sales.

5. Conditions of Value: Provide values subject to planned improvements or a list providing borrower's capital improvements. The following conditions of value will be utilized when ordering an appraisal:
 - "As Is" Value.
 - "As Improved" (subject to the repairs...). The repairs will be listed and discussed in the comments section and the reconciliation section of the form and on an addendum sheet, if needed.
 - As Is/Capital Improvements (Recapture). An addendum page will be included which states the "contributory value" of the capital improvements.

6. Appraisal Submission: The Contractor must submit an original and one copy or email an electronic copy of the appraisal report including the above stated supporting documentation within 7 calendar days after receipt of the order or as negotiated by the Contracting Officer.

7. Manufactured Homes: In addition, the appraisal report for a manufactured home must also meet the following requirements:
 - Cost Approach for Manufactured Homes: Manufactured Home appraisal reports will require both the Marshall and Swift Residential Cost Guide calculations and the N.A.D.A. Manufactured Housing Appraisal Guide calculations to be included. The appraiser must take them into consideration in arriving at a value conclusion.

The cost figures will come directly from a published cost service without modification by the appraiser.

The appraiser must provide his or her opinion of site value supported by a summary of comparable land sales or other methods used for estimating site value.

- Sales Comparison Approach for Manufactured Homes: The appraisal report for the Manufactured Home must contain at least two comparable Manufactured Home sales of similar configuration (i.e., single-wide comparable sales for a single-wide subject property and multi-wide comparable sales for multi-wide subject property) and similar quality.

The appraiser may use either site-built housing or a different type of factory built housing as the third comparable sale if the appraiser explains the reason for selecting the comparable and make and supports the appropriate adjustments in the appraisal report. More than three comparable sales may be used if needed to adequately support the appraiser's opinion of value.