



United States Department of Agriculture
Rural Development
Texas State Office

MAY 26 2009

USDA Rural Development Texas Administrative Notice No. 610 (HB-1-3550)

TO: All Offices
USDA Rural Development, Texas

FROM: Scooter Brockett
Acting State Director

SUBJECT: Single Family Appraisal Order Form and Standard Statement of Work (SOW) for Single-Family Housing Contract Appraisals (Revised May 19, 2009)

PURPOSE/INTENDED OUTCOME: This Administrative Notice (AN) is issued to provide a single-family appraisal order form and a revised Standard Statement of Work (SOW) for Single-Family Housing Contract Appraisals.

COMPARISON WITH PREVIOUS AN: There are no previous ANs on this subject.

IMPLEMENTATION RESPONSIBILITIES:

The Agency field offices and State Office employees designated to contract for single-family appraisals are responsible for providing contracted appraisers information from borrower/applicant files for the purpose of obtaining market value opinions from appraisers who have demonstrated proficiency. The Agency, as the client for the appraiser, is responsible for providing instructions to the appraiser in order for the appraiser to understand their scope of work and provide a reasonable bid for meeting those requirements.

The appraisal discipline is a living, changing profession. Over the past few years there are a number of changes that have been incorporated into the Uniform Standards of Professional Appraisal Practice (USPAP), changes in promulgated forms, and requirements for appraisal development and reporting. Further changes can be expected in the future to combat mortgage fraud. Attached is a revised SOW which should be distributed to all appraisers for your area that are on the current Texas Blanket Purchase Agreement (BPA) list. This SOW is effective immediately.

It is suggested that you request some acknowledgement from the appraiser that he/she has read and understands the SOW. Additionally, if the appraiser on the BPA list acknowledges they have read and understand the revised SOW, the appraiser can be instructed to retain the SOW in their files for all future orders. It will not be necessary to send the SOW with each appraisal request in the future. A new copy of the SOW will be included in the BPA renewal from the State Office Contracting Officer annually. If an appraisal is ordered from any appraiser not on the current BPA list, a copy of the SOW must accompany the Single Family Appraisal Order Form.

If there are any questions, please contact Alison Redding, State Appraiser/Reviewer, at (254) 742-9791.

Attachments

EXPIRATION:
May 31, 2010

FILING INSTRUCTIONS:
HB-1-3550, Chapter 5, Section 5

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SINGLE FAMILY APPRAISAL ORDER FORM

5/26/2009

Texas AN 610

Attachment A

Page 1

Rural Development Office (Client):	
Client Address	
Client Phone	
Client e-mail	
Applicant/Borrower:	
Current Owner:	
Property Address:	
City/County/State/Zip:	
Contact Person	
Contact Person Address/Phone	
Contact Person Cell Phone:	
Value Type Needed: MARKET VALUE:	
	As Proposed
	As Is
	As Repaired
Purpose of Appraisal	
	Loan Making
	Loan Servicing
	Foreclosure
	REO
User of the Appraisal:	
	USDA Rural Development
	Other users specified by Rural Development
Delivery Date:	
Attachments Property Information:	
	Agreement for Sale, Purchase Agreement, or Sales Contract
	Copy of MLS listing detail
	Plans and Specifications (new construction)
	Exterior Elevation from Building Plans showing exterior view (New Construction)
	Proposed Improvements/repairs if existing construction
	Estimate or bid for construction/repairs
	Legal Description/Survey
	Floor Plan for existing construction, if available
	Property Tax Information
	Other Documentation:

**STANDARD STATEMENT OF WORK (SOW)
FOR SINGLE-FAMILY HOUSING CONTRACT APPRAISALS**

Background: USDA Rural Development provides loans and/or credit assistance to eligible applicants for single-family housing dwellings. In support of this program, Rural Development requires the services of qualified persons to provide appraisal services to determine the market value of single-family dwellings during the effective period of the agreements.

Professional Qualifications: All Agency Single-Family Housing appraisals must be written by a State Certified General, Certified Residential or Licensed Real Property Appraiser, certified by the Texas Appraiser Licensing and Certification Board. The appraiser must have the specialized knowledge and experience necessary to be competent to appraise single-family housing.

Subcontracting: The appraiser must not subcontract the appraisal (or any part of it) to another person without written consent of the Rural Development Contracting Officer.

Available Information: Information regarding the property shall be provided by the appropriate Rural Development Local Office. (See page 3 and 4)

Client: The appraiser must understand and agree that USDA Rural Development is the appraiser's client, and all reports must be addressed to USDA Rural Development. The user of the report will be USDA Rural Development (and any other intended user specified by the Agency). Any questions relating to the form or substance of the appraisal assignment should be directed to the Texas Rural Development Staff Appraiser, J. Alison Redding, 101 So. Main St., Suite 102, Temple, Texas, (254) 742-9791, or alison.redding@tx.usda.gov and will not be directed to the property owner or builder/contractor.

Property Contact: A property contact person should be provided by the Rural Development Local Office and/or the Rural Development Local Office staff should be available to ensure the appraiser has access to the subject property for inspection. Appraisal fees or turnaround times should not be discussed with the property contact. The appraiser must notify the appropriate Rural Development Local Office *immediately* if any of the following occurs: (1) the appraiser cannot gain adequate access to the property, (2) the appraiser does not receive essential property information in a timely manner, (3) the appraiser has previously appraised or is in the process of appraising the property for another client, (4) the appraiser has any other potential conflict of interest with respect to the assignment.

Confidentiality: The appraiser must keep all information and materials furnished by Rural Development, the owner, and/or property contact regarding the subject property confidential, as required by *The Uniform Standards of Professional Appraisal Practice* (USPAP) and the Gramm-Leach-Bliley Act. The appraiser may use such information only in connection with performance of the assignment. The appraiser must agree to prevent the unauthorized disclosure, misuse, or alteration of the confidential information.

Any information obtained through public sources is not considered confidential information. Disregard of this privacy requirement will be cause for immediate debarment as a contractor for the federal government.

Nondiscrimination: All appraisals must comply with the Fair Housing Amendments Act of 1988. According to the Act, it is unlawful for an appraiser to use factors that are discriminatory on the basis of race, color, religion, sex, disability, familial status, or national origin in the sale, rental, leasing, or financing of housing.

Assumptions, Hypothetical Conditions, and Limiting Conditions: All extraordinary assumptions, hypothetical conditions, and limiting conditions must be clearly and prominently described in a single location near the beginning of the report and in appropriate sections of the appraisal. Extraordinary assumptions and hypothetical conditions also must be discussed with and agreed to by Rural Development prior to completion of the report. General assumptions and limiting conditions that reduce the normal scope of appraisal due diligence are not allowed.

Potential Environmental Hazards: The appraiser must note any suspected environmental hazards, including issues external to the property that could adversely impact the property's value. Examples of environmental hazards would include damaged asbestos-containing building materials, underground storage tanks, chemical leaks, spills, or staining of ground surfaces, or on-site waste disposal such as sludge, oil, paints, or chemical residues. If the appraiser observes any suspected environmental hazards, he/she must notify the Rural Development Local Office immediately and refrain from finalizing aspects of the appraisal that could be impacted until resolution of the issue or until instructed otherwise.

Americans with Disabilities Act (ADA): Appraisers must be familiar with the general provisions of the ADA because single-family housing is a property type that may be constructed and/or modified for use by individuals with disabilities. The appraiser must consider what impact (if any) such modifications have on the value of the subject property. Any impact on value should be supported by market evidence.

Appraisal Report Formats: The appraisal must be completed using Fannie Mae Form 1004/Freddie Mac Form 70, "*Uniform Residential Appraisal Report*" for all one-unit, single family dwellings; Fannie Mae 1004C/Freddie Mac 70B, "*Manufactured Home Appraisal Report*" for all manufactured homes; or Fannie Mae Form 1073/Freddie Mac Form 465 "*Individual Condominium Unit Appraisal Report*" for all individual condominium units.

Due diligence is expected to conduct an interior and exterior inspection. In the event an assignment is limited to an exterior-only inspection, Fannie Mae Form 2055 "Exterior-Only Inspection Residential Appraisal Report" must be used. The appraiser should document on Fannie Mae Form 2055 the efforts to gain access for a full interior and exterior inspection when efforts are unsuccessful.

Form 1007 "Square Foot Appraisal Form, *Marshall and Swift*" is no longer required; however, for proposed or existing properties under 1 year of age, or when the sales comparison approach is not a strong indicator of market value, the cost approach portion of the appraisal form must be completed. Nevertheless, in all instances, the cost approach, the sales comparison approach and the income approach to value will be developed unless the appraiser supports that a specific approach to value is not applicable and would not provide meaningful results. All appraisals will be performed in accordance with the most current edition of USPAP, and Rural Development Instruction set forth in 7 CFR 3550, Chapter 5, Section 5 of the RHS Handbook, *HB-1-3550*. Rural Development Instruction in *HB-1-3550* can be found at www.rurdev.usda.gov/ by clicking on "Regulations;" select "Handbooks" from the menu on the left; select "HB-1-3550" for Single Family Instructions; go to Chapter 5, Section 5.

Value Types: The "As Improved" market value is required for planned new construction or rehabilitation. An "As-Is" market value is required for existing homes that do not require repairs and new homes that are complete at the time of appraisal. Regardless of the intended use of the appraisal, all appraisals for Rural Development will provide Market Value based on the following Market Value definition used by agencies that regulate federally insured financial institutions in the United States:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.

(12 C.F.R. Part 34.42(g); 55 Federal Register 34.696, August 24, 1991, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994) *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, © 2002.

Information to be provided to the appraiser: The following information will be provided to the contract appraiser as applicable:

- 1) Local Rural Development Office and Contact
- 2) Borrower/Applicant Name
- 3) Current Owner
- 4) Subject Property Address
- 5) Agreement for Sale, Purchase Agreement, or Sales Contract
- 6) If listed for sale, provide copy of MLS or listing detail

- 7) Plans and Specifications for new construction
- 8) Exterior Elevation from Building Plans showing exterior view
- 9) Proposed Improvements/repairs if existing construction
- 10) Estimate or bid for repairs
- 11) Legal Description/Survey
- 12) Floor Plan for existing construction, if available
- 13) Property Tax Information
- 14) Expected Delivery Date
- 15) E-mail address for electronic delivery or physical address and number of color originals to be delivered.

Complete Appraisal Requirements: All Rural Development SFH Appraisals must, at a minimum, meet the reporting requirements of a complete summary and/or a complete self-contained appraisal format and must comply with the most current edition of USPAP. All approaches to value and the value opinion must be in accordance with acceptable appraisal methodology.

- 1) All reports must include the following maps, showing the location of the subject:
 - Regional map
 - City map
 - Flood plain map
 - Land Sales map
 - Sales Comparables map
 - Rent Comparables map
- 2) All reports must include the following exhibits of the subject property:
 - Survey
 - Site plan
 - Floor plans
- 3) All reports must include clear photographs of the front and back views of the subject property, as well as interior photographs when possible. Subject photographs should include a photo of the street scene of the neighborhood. A photograph of comparable sales is also required.
- 4) **Land values must be provided** in the “cost” section and must be supported.
- 5) **All reports** must include an estimate of the remaining economic life of the subject.
- 6) All appraisals of existing properties must include a discussion of deferred maintenance at the subject property. Items of deferred maintenance must be listed, and the cost to cure each item must be estimated, with support provided.
- 7) Documentation supporting the development of the appraisal shall be submitted to Rural Development with the completed appraisal. Clear and concise explanations for all calculations utilized to develop the appraisal should be provided in order to lend support and credibility to the appraisal report. It is not appropriate to simply restate the dollar and type of adjustment. The basis and/or logic for the adjustment is what lends credibility to the report, regardless if the adjustment is objective or subjective.

Appraisals in Remote Rural Areas, on Tribal lands, or where there is a lack of market activity: In remote rural areas, on Tribal lands, or areas with a lack of market activity it may be difficult to obtain adequate comparables to appraise a property. In these areas, the sales comparison approach is not required. Instead, Form 1007, Marshall and Swift Square Foot Appraisal Form must be used.

Remote rural areas are identified by the State Director and are defined as areas with all of the following characteristics:

- Scattered population;
- Low density of residences;
- Lack of basic shopping facilities;
- Lack of community and public services and facilities; and
- Lack of comparable sales data.

The results of the cost analysis completed using *Form 1007* should be documented on the *Uniform Residential Appraisal Report* and efforts to obtain comparable market data must be documented in lieu of the sales comparison approach. External depreciation based on remoteness of the site must not be considered; however, factors that impact the site such as immediate proximity to a feedlot, factory, or other similar considerations should be included. When a market is established in these areas, the Agency will again require the sales comparison approach to value.

Review of Appraisal: Appraisal reports will be subject to review by Rural Development. Appraisers must be prepared to discuss their analyses, opinions, and conclusions and provide additional written support, clarification, and/or corrected appraisal pages if requested.

Accountability: The engaged appraiser must inspect the subject property and be prepared to discuss the appraisal report. A staff appraiser or associate may participate in the appraisal assignment but must either sign the report or be identified, by name, as providing significant professional assistance in the appraiser's certification. If a staff appraiser or associate wrote the majority of the report, that staff appraiser or associate may be present during any discussion of the assignment. However, it is the engaged contract appraiser whose work product has been identified as acceptable by Rural Development, and that appraiser must sign the report and be accountable for it.

The following due diligence is expected:

1. All comparable sales should be verified by a party with no interest in the appraisal outcome.
2. All sales should be adjusted for concessions and/or incentives to arrive at the "cash" value of the real estate. "Typical" concessions such as points, and/or seller paid costs for the buyer, and/or personal property included in the purchase, will not add value to the real estate but may add cost to the transaction.

3. Comparable sales provided by builders and/or developers are based on cost and not necessarily reflective of market value. Special care should be exercised before accepting such sales as an indicator of market value.
4. There is no expectation for the appraiser to arrive at a desired value. It is the appraiser's responsibility to avoid being an advocate for any party; consequently, providing protection to both the lender and the borrower.

Defense of Appraisal: The appraiser may be requested by Rural Development to present testimony at a hearing or legal proceeding on appraisals he/she has performed. The appraiser agrees to perform such services for a reasonable fee which is as low as or lower than the fee offered to its most favored customer, plus "reasonable" reimbursement for transportation, lodging, and meals. ("Reasonable" is defined as the rate applicable to per diem for Rural Development personnel.) In the event the Agency requires the appraiser to defend the appraisal in court or in Rural Development's appeals process, this would constitute a consulting assignment that would be contracted separately from the original appraisal assignment.

Delivery Deadlines: The contractor shall complete and deliver appraisals to the specified Rural Development Office that placed the call order within 10 working days after date of order, unless a different deadline is set by mutual agreement at the time of order.

If corrections and/or amendments are requested by the Local Office or the Agency appraiser, the corrections are to be delivered as soon as possible but not later than 10 business days following the request unless, by mutual agreement, other arrangements are made.

If, for any reason, the timely delivery of the appraisal report is delayed for reasons beyond the appraiser's control, the appraiser should contact the Rural Development Local Office and convey the reasons for the delay.

The contractor shall furnish all materials, supplies, equipment, personnel and travel and shall complete all requirements of this contract including performance of the professional services listed herein, upon receiving an order from Rural Development. The Contractor shall furnish appraisals, delivered to the ordering office within the time limit specified in the order, for the flat fee agreed upon at the time the order is placed. **Appraisals may now be submitted electronically in accordance with USPAP standards.** If the contractor chooses to provide hard copies of the reports, they shall deliver the agreed number of appraisal reports, including all required attachments supporting the final value estimate.