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Farmer Mac Refresh
"Appraisers and Appraisals: Tips from the Experts for Getting Them Right"

Presenters

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Agenda

- Find An appraiser
- Hire An appraiser
- Things to remember
- Check/assess an appraisal prior to submission
- Upload an appraisal into AgPower®
- Hear from an appraiser

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Find an Appraiser

Requirements/Resources

- State licensed and certified general
  - Certified residential OK in some cases
- Resources
  - ASC.gov
  - Farmer Mac PAL (Preferred Appraiser List)
- Useful hints
  - Check appraiser's experience with property type

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Appraisal Updates

- Appraisal Updates acceptable?
- For seasoned loans
  - On the books at least 5 years
  - LTV 60% or less
  - Security value since date of original appraisal stable to increasing
  - Strong payment history; no loan restructures
  - Use the Collateral Assessment Report (Farmer Mac form)
  - Completed within 180 days prior to the loan's purchase date

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Collateral Assessment Report – Form 1047

Collateral Assessment Report (CAR)
(Seasoned Loans Only)

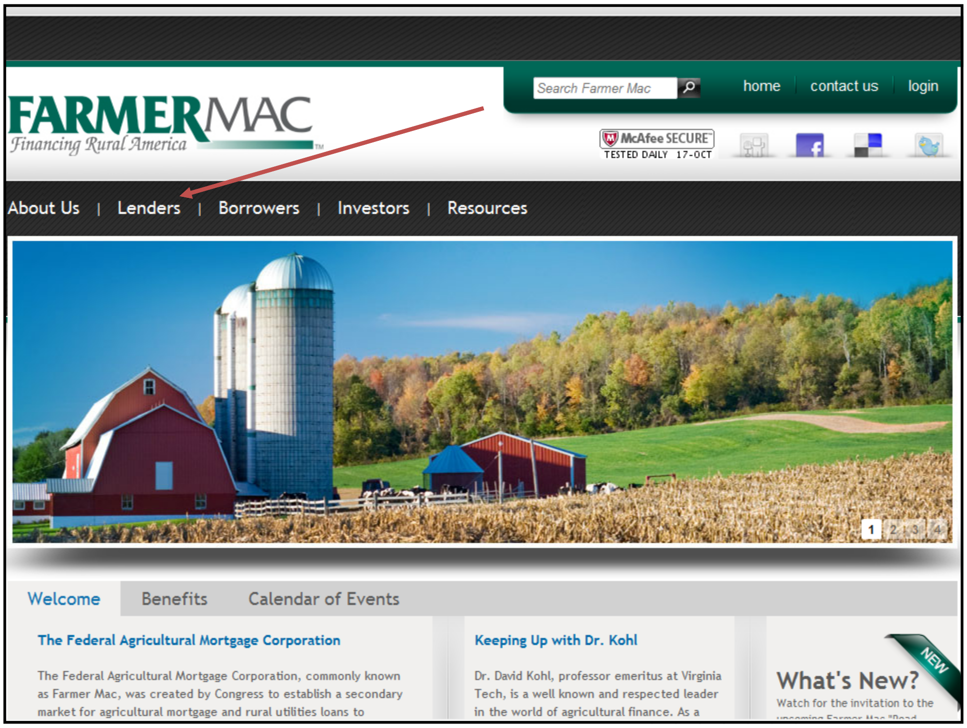
Original Loan Number		**Borrower Name**	
Loan Originator		**Prepared By:**	
Central Servicer		**CAR Amount**	
Current Unpaid Balance		**Effective Date of CAR**	
Date of Last Appraisal		**Last Appraised Value**	

Provide a description of the property, especially noting changes since the time of the last appraisal.

Acres and Type of Crops (estimated REL of all permanent plantings):
Description of Improvements, including last known condition:
Does the property have both legal and physical access? ☐ YES ☐ NO
If irrigated, is the water supply adequate for the number of acres and crops being grown?

Information for appraisers

- Available on the Farmer Mac Website
  - "Resources" section
    - Seller/Servicer Guide
    - Collateral Valuation Supplement
      - or
  - "Lenders" section
    - Collateral Valuation Supplement
    - Appraisal Forms



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The Federal Agricultural Mortgage Corporation
The Federal Agricultural Mortgage Corporation, commonly known as Farmer Mac, was created by Congress to establish a secondary market for agricultural mortgage and rural utilities loans to
Keeping Up with Dr. Kohl
Dr. David Kohl, professor emeritus at Virginia Tech, is a well known and respected leader in the world of agricultural finance. As a
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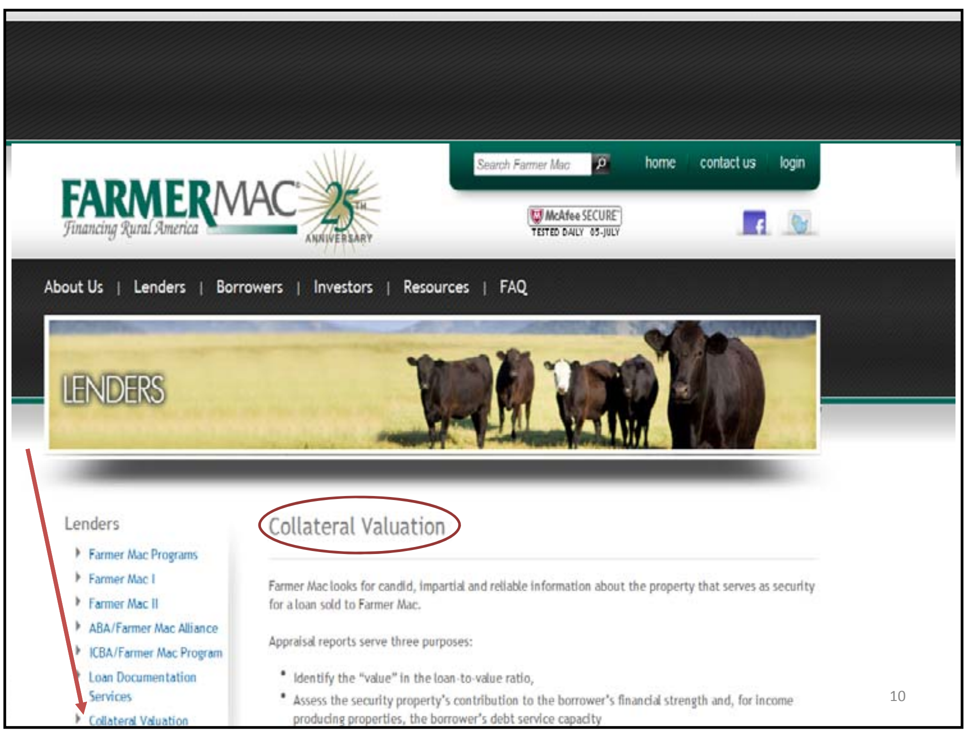
Watch for the invitation to the



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ICBA/Farmer Mac Program
Loan Documentation Services
Collateral Valuation
Collateral Valuation
Farmer Mac looks for candid, impartial and reliable information about the property that serves as security for a loan sold to Farmer Mac.
Appraisal reports serve three purposes:
• Identify the "value" in the loan-to-value ratio,
• Assess the security property's contribution to the borrower's financial strength and, for income producing properties, the borrower's debt service capacity
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Lenders

- Farmer Mac Programs
- Farmer Mac I
- Farmer Mac II
- ABA/Farmer Mac Alliance
- ICBA/Farmer Mac Program
- Loan Documentation Services
- Collateral Valuation

Collateral Valuation

Farmer Mac looks for candid, impartial and reliable information about the property that serves as security for a loan sold to Farmer Mac.

Appraisal reports serve three purposes:

- Identify the "value" in the loan-to-value ratio,
- Assess the security property's contribution to the borrower's financial strength and, for income producing properties, the borrower's debt service capacity
- Identify and understand the security property's market characteristics and risk (including for purposes of hazard insurance amounts)

Farmer Mac's Collateral Valuation Standards and Guidelines are contained in its Collateral Valuation Supplement (CV Supplement) to the Farmer Mac Seller/Servicer Guide. The CV Supplement can be accessed below.

Description	Revised Date
Table of Contents	03/20/2009
Ch CV 101 Collateral Valuation - Standards and Guidelines	03/13/2012
Ch CV 201 Collateral Valuation - Loan Servicing	11/11/2011

- Chapter CV101 contains general collateral valuation standards and guidelines for Farm and Ranch loans including those for Specialized Agricultural Facilities. The final section of the chapter, Chapter CV 101.9, consists of a summary of all Farmer Mac Collateral Valuation Forms including a description of the form, its purpose and how it is to be used.
- Chapter CV201 addresses the collateral valuation-related standards and guidelines for loan servicing.

The Farmer Mac Farm and Ranch and Specialized Agricultural Facility Forms are listed below:

Number	Description	Revised Date
1	Comment and Guidance on Collateral Valuation Report Forms	06/03/2011
2	Sample Fee Appraiser Engagement Letter (Form 1023A) *	05/23/2012
5	Appraisal Report Content Requirements (Form 1027A)	05/18/2012
8	Assumptions and Limiting Conditions Example (Form 1037) *	05/18/2012
9	Environmental Disclosure (Form 1010A) *	05/18/2012
10	Irrigation and Drainage Supplement (Form 1013A)	05/18/2012
11	Permanent Planting Data Summary Example (Form 1034)	05/23/2012
12	Income Approach Example (Form 1035)	05/23/2012
13	Market Sale Data Summary Example (Form 1036)	05/23/2012
14	Collateral Assessment Report form 1047	07/03/2012
15	Collateral Inspection Report (Form 1038)	08/17/2012

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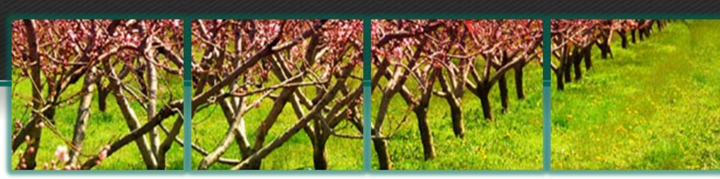

Hire an Appraiser

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Hiring an Appraiser

- Written engagement required
  - Farmer Mac Sample Engagement Letter – Form 1023A
    - Narrative format *vs* UAAR *vs* other form set
    - Fee Simple *vs* Leased fee *vs* Leasehold
    - Other information provided to appraiser
      - Legal description from the Preliminary Title Report or Title Opinion (IA only)
    - Seller is the client; Farmer Mac is an intended user
    - Option if engagement letter is not the Farmer Mac version
    - Signatures of both appraiser and seller required on engagement letter

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Assumptions Limiting Conditions

- Farmer Mac form required
- Equivalent form OK <u>if</u> accepted by Seller – Farmer Mac needs signed letter from seller accepting appraiser's assumptions and limiting conditions if not Form 1037

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Assumptions and Limiting Conditions – Form 1037

File No #___________

Assumptions and Limiting Conditions

(Singular includes plural)

The certification of the Appraiser appearing in the appraisal report is subject to the following assumptions and limiting conditions and to such other specific and limiting conditions as are set forth in Item No. 18 of this statement in accordance with Farmer Mac Collateral Valuation Standards and Guidelines.

1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Sketches in the report may show approximate dimensions and are included only to assist the reader in visualizing the property. The Appraiser has made no survey of the property. Drawings and/or plats are not represented as an engineer's work product, nor are they provided for legal reference.
3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have been previously made.
4. Any distribution of the valuation in the report applies only under the existing program of utilization. Contributory value indications are only allocations and are not represented as separate valuations. The intended use of those contributory value indications is only in underwriting. Any other use is without obligation to the Appraiser.
5. The Appraiser has, in the process of exercising due diligence, requested, reviewed, and considered information provided by the ownership of the property and client, and the Appraiser has relied on such information being candid and complete, and assumes there are no hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, for engineering that might be required to discover such factors, or the cost of discovery or correction.
6. In an assignment where the Appraiser has not inspected the subject property, due to ___ lack of peaceful access or ___ client approved assignment limitations, as described and documented in the report, the appraiser has used subject property information developed in the course of public and/or private record research. If public record information is subsequently found to have been in error, responsibility for the impact of the error rests with its source, not the appraiser.
7. The Appraiser is not qualified to verify or detect the presence of hazardous substances by visual inspection or otherwise, and is not qualified to determine the effect, if any, of known or unknown substances present. Unless otherwise stated, the final value conclusion is based on the subject property being free of hazardous waste contaminations, and it is specifically assumed that present and subsequent ownerships

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Appraisal Expectations

- "Highest and best use"
- Approaches to valuation
  - Sales comparison
  - Cost
  - Income
- Net property income
  - Required calculation if income approach is not completed
- Appraiser should allocate final value between bare land, improvements and permanent plantings

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Things to Remember and Other Considerations

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Other Considerations

- Environmental Disclosure form (1010A)
  - Signed by customer
  - Disclose knowledge of any environmental hazard on the property
  - Contact Farmer Mac in the event of underground storage or fuel tanks
- Flood search required for improved properties

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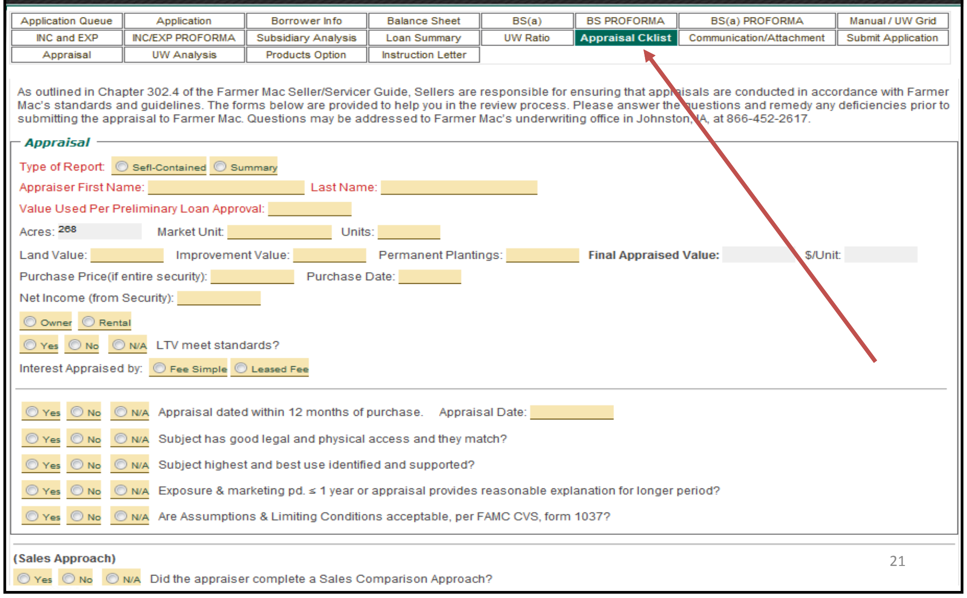
Helpful Tips

- Appraisal need not accompany the original loan submission
  - Revision of loan request required if appraised value is less than anticipated
- Appraisal dated less than 1 year prior to loan purchase by Farmer Mac
- Special considerations:
  - Irrigated properties
  - Properties with permanent plantings

Check/Assess Appraisal Prior to Submission

Appraisal Checklist in AgPower



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Checking An Appraisal

- Use Appraisal Checklist within AgPower® to assess appraisal prior to submission
- Upload appraisal in color
- What are some consistent items missed when sellers assess an appraisal report prior to submission to Farmer Mac?

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Submitting an Appraisal in AgPower®

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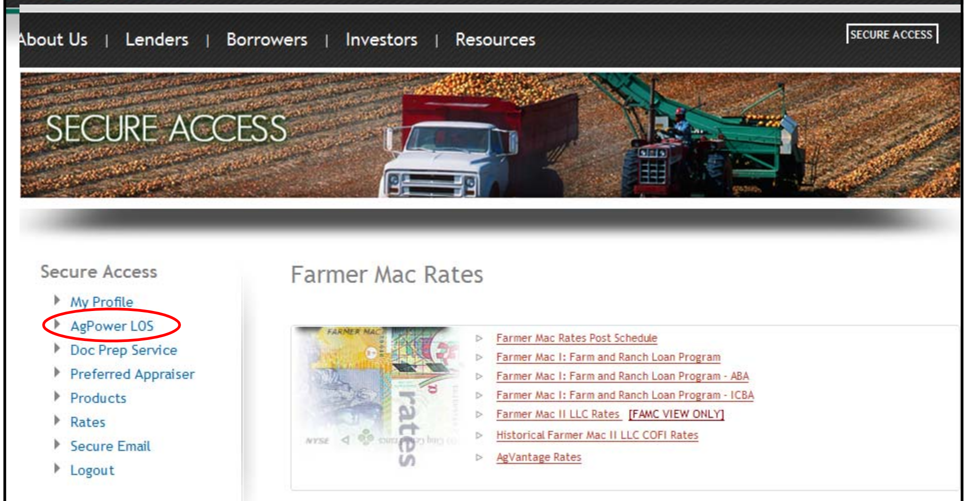
AgPower®



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Communication/Attachment

Application Queue	Application	Borrower Info	Balance Sheet	BS(a)	BS PROFORMA	BS(a) PROFORMA	Manual / U
INC and EXP	INC/EXP PROFORMA	Subsidiary Analysis	Loan Summary	UW Ratio	Appraisal Cklist	Communication/Attachment	Submit App
Appraisal	UW Analysis	Products Option	Instruction Letter				
Rate Lock	Rate Lock Info	Purchase Request					

Upload/Edit Related Documents:

Documents Attached by Seller

Document Category	Document Name	Post Date	Document Purpose	File Type	Comments	
Narrative	Loan narrative	04/01/2013		.docx		Open
Credit Report(s)	Credit report	03/25/2013		.pdf		Open
Tax Return(s)	2012 income tax return	03/28/2013		.pdf		Open
Tax Return(s)	2011 income tax return	03/28/2013		.pdf		Open
Credit and Income Verification(s)	Deposit account verifications	04/01/2013		.pdf		Open
Credit and Income Verification(s)	2012 W-2	03/28/2013		.pdf		Open
Credit and Income Verification(s)	Ag Country debt verification	03/28/2013		.pdf		Open
Environmental Disclosure	Environmantal Disclosure	05/08/2013		.pdf		Open
Appraisal/Evaluation	Legal description confirmation	06/14/2013	Letter that Title Insurance and appraisal legal description are the same.	.pdf		Open
Appraisal/Evaluation	Engagement letter	05/08/2013	Signed engagement letter	.pdf		Open
Appraisal/Evaluation	Appraisal	05/07/2013		.pdf		Open
Preliminary Title Report	Title Insurance Commitment	06/13/2013		.pdf		Open

Document ID:

Document Category:

Document Name:

Posted Date: 06/28/2013

File Type: [Select Type]

Document Purpose:

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Notification to Underwriters of Appraisal Upload into AgPower LOS

This email was sent from Farmer Mac's website as a notification that a new document (Smith Farms Inc. Appraisal) under document category – Appraisal for application (IA-121097 – Smith Farms Inc.) has been added to the AgPower LOS attachment section by Larry Loanman, please check!

Thanks,

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Hear From An Appraiser

Richard Isaacson, ARA
Agri-Management Services Inc.
Marion, IA.