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
**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
Collateral Assessment Report – Form 1047

Collateral Assessment Report (CAR) (Seasoned Loans Only)

<table>
<thead>
<tr>
<th>Original Loan Number</th>
<th>Borrower Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Originator</td>
<td>Prepared By:</td>
</tr>
<tr>
<td>Central Servicer</td>
<td>CAR Amount</td>
</tr>
<tr>
<td>Current Unpaid Balance</td>
<td>Effective Date of CAR</td>
</tr>
<tr>
<td>Date of Last Appraisal</td>
<td>Last Appraised Value</td>
</tr>
</tbody>
</table>

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

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
Lenders
- Fannie Mae Programs
- Fannie Mae I
- Fannie Mae II
- AGA/Farmer Mac Alliance
- ICBA/Farmer Mac Program
- Loan Documentation
- Servicing
- Collateral Valuation

Collateral Valuation

Farmer Mac looks for specific, 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 risk profile strength and, for income-producing properties, the borrower’s debt service capability.
- 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.

Table:

<table>
<thead>
<tr>
<th>Date</th>
<th>Issue Date</th>
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<tbody>
<tr>
<td>01/02/2013</td>
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<tr>
<td>01/10/2013</td>
<td></td>
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<tr>
<td>01/11/2013</td>
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- Chapter CVIIR 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 II.5, consists of a summary of all Farmer Mac Collateral Valuation Forms including a description of the forms, its purpose and how to use it.

- Chapter CVIIIR addresses collateral valuation-related standards and guidelines for loan servicing.

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

<table>
<thead>
<tr>
<th>Form Number</th>
<th>Form Name</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Collateral Valuation Report Forms</td>
<td>01/02/2013</td>
</tr>
<tr>
<td>2</td>
<td>Sales Price Appraisal Report (Form 5029)</td>
<td>01/02/2013</td>
</tr>
<tr>
<td>7</td>
<td>Appraisal and Valuation Report (Form 5029)</td>
<td>01/02/2013</td>
</tr>
<tr>
<td>10</td>
<td>Documentation, Diligent, and Appraisal (Form 100-17)</td>
<td>01/02/2013</td>
</tr>
<tr>
<td>11</td>
<td>Appraisal and Servicer Agreement (Form 100-17)</td>
<td>01/02/2013</td>
</tr>
<tr>
<td>12</td>
<td>Appraisal and Servicer Agreement (Form 100-17)</td>
<td>01/02/2013</td>
</tr>
<tr>
<td>13</td>
<td>Market Value (Form 100-17)</td>
<td>01/02/2013</td>
</tr>
<tr>
<td>14</td>
<td>Collateral Valuation Report Forms</td>
<td>01/02/2013</td>
</tr>
</tbody>
</table>

Hire an Appraiser

7/10/2013
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

Assumptions Limiting Conditions

• Farmer Mac form required

• Equivalent form OK if accepted by Seller – Farmer Mac needs signed letter from seller accepting appraiser’s assumptions and limiting conditions if not Form 1037
Assumptions and Limiting Conditions – Form 1037

Assumptions and limiting conditions

The assumption 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 the report, if of the Appraiser to make a statement in accordance with Farmer Mac Collateral Valuation Standards and Guidelines.

1. The Appraiser assumes responsibility for matters of a legal nature affecting the property appraised or the title thereof, not done by the Appraiser; or any opinion as to title, which is assumed to be good and marketable. The property is appraised as though title are marketable.

2. It is assumed the Appraiser is unbiased, and is not required to accept the results of valuations of the property. The Appraiser is not to appraise the property. Procedures and plans are not considered an as a report of plan, but are指导意见 for additional information.

3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal with respect to the property in question, unless otherwise ordered.

4. Any limitation of the valuation in the report applies only under the making of the report. Value limitations are only applicable and are not required to those purposes. The statement of those conditions are made only as a matter of fact, and is not binding on the Appraiser.

5. The Appraiser has, in the course of preparing the valuation, reviewed, examined, and complied with those provided by the examination of the property and title, and the Appraiser has relied on such information to the best of my knowledge, and is not responsible for any errors or omissions in the report.

6. In an appraisal where the Appraiser has not inspected the subject property, due to the lack of available access to the subject or subject property, the Appraiser has not made available to the Appraiser any information developed in the course of the appraiser's work. The Appraiser is not bound by any information given or any omission by the Appraiser.

7. The Appraiser is not required to verify or inspect the accuracy of hazardous substances by means of a report or otherwise, and is not responsible for any errors in the report. The Appraiser is not responsible for the impact of the report or the use by the Appraiser.

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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
Things to Remember and Other Considerations

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
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

As outlined in Chapter 302.4 of the Farmer Mac Seller/Servicer Guide, Sellers are responsible for ensuring that appraisals are conducted in accordance with Farmer Mac’s standards and guidelines. The forms below are provided to help you in the review process. Please answer the questions and remedy any deficiencies prior to submitting the appraisal to Farmer Mac. Questions may be addressed to Farmer Mac’s underwriting office in Johnston, IA, at 800-450-2617.

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?
Submitting an Appraisal in AgPower®
Communication/Attachment

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,
Hear From An Appraiser

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