

CV 101.9 Collateral Valuation Forms

A. Farmer Mac Collateral Valuation Reports - Styles or Formats and Certifications

Appraisal reports can be composed in a narrative style or format, or by use of standardized form sets. Appraisers are required to certify their appraisal reports in compliance with USPAP to ensure recognition and acceptance of responsibility for the assignment results.

B. Assumptions and Limiting Conditions (Farmer Mac Form 1037)

It is typical practice for an appraiser to state the assumptions and limiting conditions that applied in the development of the assignment results, including any extraordinary assumptions or hypothetical conditions.

Farmer Mac recognizes that these statements form the context of the collateral valuator's opinions and conclusions, and can significantly affect the meaning and usefulness of the information in the report.

The assumptions and limiting conditions in appraisal reports address specific situations in an assignment as well as typical or "normal" assignment situations.

In view of the distinct character of Farm and Ranch and Specialized Production Agricultural Facility property valuation and related financing issues, Farmer Mac has identified a set of Assumptions and Limiting Conditions that are accepted as normal in an appraisal submitted for use in a Farmer Mac loan or servicing action.

Farmer Mac also recognizes that assignment conditions vary and, together with different property or market conditions, may prompt the need for use of other assumptions and limiting conditions, or the use of extraordinary assumptions or hypothetical conditions. Accordingly, to encourage open dialogue and avoid misunderstandings between the parties, Farmer Mac has established a process whereby the client and appraiser can add to Farmer Mac's standard assumptions and limiting conditions, as circumstances require.

Farmer Mac requires that the client consider and, when appropriate, provide its written prior-agreement for the use of any additional assumptions, limiting conditions, extraordinary assumptions, or hypothetical conditions in an appraisal.

Except by written documented agreement between the client and the appraiser or by the client's written documented (See Form 1037B) willingness to accept responsibility for Assumptions and Limiting Conditions outside of those listed by Farmer Mac Form 1037, the only Assumptions and Limiting Conditions acceptable in an appraisal submitted for use in a Farmer Mac Farm and Ranch or Specialized Production Agricultural Facility property loan or servicing action are those shown in Farmer Mac Form 1037.

A copy of the Assumptions and Limiting Conditions statement (Farmer Mac Form 1037) and a sample agreement (Farmer Mac Form 1037B) can be obtained through the originating institution or by emailing Farmer Mac's Client Services team at ClientServices@farmermac.com.

Farmer Mac Form 1037 is also available for use in the UAAR form set, in the UAAR Forms Library under the “FAMC Forms” tab. The original may be obtained from AgWare, Inc. at its website (www.uaar.net).

Note: Farmer Mac has an objective of facilitating electronic transmission and handling of collateral valuation information. The AgWare, Inc. version of the UAAR software has a comprehensive set of analysis and reporting forms, and functionality to permit database management and data file transmission in several protocols. Farmer Mac may accept, subject to its prior approval, a UAAR form report set generated by a UAAR form software package from sources other than AgWare, Inc., if the client has confirmed the alternative source software has equivalent functionality and data integrity, and provides Farmer Mac with supporting documentation acceptable to Farmer Mac.



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 will exercise due care to ensure that the property does not become otherwise contaminated. (See Farmer Mac Form 1010A)
8. Information, estimates, and opinions furnished to the Appraiser and contained in the report were obtained from sources considered reliable and believed to be true and correct. The Appraiser assumes no responsibility for accuracy of such items furnished the Appraiser.

9. Unless specifically cited, no value has been allocated to mineral rights or deposits.
10. Acreage of land types and measurements of improvements are based on physical inspection of the subject property unless otherwise noted in this Appraisal Report.
11. Water requirements and information provided has been relied on and, unless otherwise stated, it is assumed that:
 - a. All water rights to the property have been secured or perfected, there are no adverse easements or encumbrances, and the property complies with the rules and regulations of local, state, or federal agencies, including Bureau of Reclamation rules, as they apply to the subject;
 - b. Irrigation and domestic water and drainage system components, including fixed or hard-mounted distribution equipment and piping, are real estate fixtures;
 - c. Any mobile surface piping or equipment essential for water distribution, recovery, or drainage, if included in the subject property of this appraisal (e.g., pivot systems), is secured with the title to real estate; and
 - d. Title to all such property conveys with the land.
12. Disclosure of the contents of this report is governed by applicable law and/or by the Bylaws and Regulations of the professional appraisal organization(s) with which the Appraiser is affiliated.
13. Neither all nor any part of the report, or copy thereof, shall be used for any purposes by anyone but the client and intended users specified in the report without the written consent of the Appraiser.
14. Where the appraisal conclusions are subject to satisfactory completion, repairs, or alterations, the Appraisal Report and value conclusion are contingent upon completion of the improvements in a workmanlike manner consistent with the plans, specifications and/or scope of work relied upon in the appraisal.
15. **EXCLUSIONS.** In analyzing the subject property and its market the Appraiser considered and, as applicable, used the cost, income, and direct market sales comparison approaches to develop value indications and reconciled the results of the approaches completed to develop a final value conclusion. The explanation for excluding any of the three approaches in developing the final value conclusion is provided in this report.
16. **SCOPE OF WORK RULE.** The appraisal reflects a scope of work that is based on information from the client and this appraisal and report was prepared for the client's use and for use by Farmer Mac at their sole discretion within the framework of the intended use stated in the report. The use of this appraisal or report for any other purpose or use by any party not identified as an intended user of this report is beyond the scope of work contemplated in the appraisal, and without creating an obligation of the Appraiser.
17. Acceptance of the report by the client constitutes acceptance of all assumptions and limiting conditions contained in the report.
18. Other Assumptions and Limiting Conditions, including any extraordinary assumptions or hypothetical conditions (each applied on the basis of the client's written prior approval (as documented in Form 1037B), a copy of which is contained in the Addenda to this report).

Farmer Mac Form 1037 Version 3.5 (Rev 11-2013)

Based on text in the "Assumptions and Limiting Conditions" page of the UAAR form set by AgWare, Inc. 1- 605-787-7871
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C. Report Exhibits

1. Plats / Maps

Chapter CV101.4 contains a list of the kind of Exhibits that may be necessary to illustrate the physical characteristics of the subject property. The following guidance addresses technical aspects of:

a) Location Map Exhibit and Global Positioning System (GPS) references

The Location Map exhibit in a valuation report is to include, whenever possible, a GPS reference for the property. This reference should be as close as reasonably possible to the location of the main or most commonly used entrance to the property from the public access road or street.

The GPS reference can be identified by use of receiver equipment or by use of existing information systems that use the property address or a close substitute to locate the property on a Geo Coded map. The www.ffiec.gov website is cited in Chapter CV101.4-D (1) as a convenient source for the GPS reference that is available to the public.

There are several vendors of GPS equipment, and several brand names. Some equipment includes proprietary maps while other equipment includes public domain maps, such as from the USGS. A substantial amount of information on GPS and the hardware / software used to obtain GPS references is available on the Internet. A search for “GPS” entered at Yahoo.com or at Google.com can provide an exhaustive list.

Different GPS equipment and map systems can result in slightly different ground points on a map using the GPS references. It is important to include the complete “X” (Latitude) and “Y” (Longitude) references, which should include the projection, if any and the horizontal Datum. Preferably the X-Y coordinates should be in “un-projected” Latitude and Longitude, in decimal degrees.

If the coordinate data is in projected Latitude and Longitude, the data submitted should include: projection; zone (if applicable); map units (meters, feet, etc.); and datum.

When one is using the www.ffiec.gov website to identify the GPS reference for a property, rather than a GPS receiver while at the property, several situations can occur. The following is a summary of how one can handle two of those situations.

- i) The property address is known and entered correctly, but the GPS references do not appear when the map is displayed.

Adjust the scale of the map to higher resolution. Move the cursor to the approximate location to be referenced. After the map refreshes on the screen, click on the map scale button that is already highlighted. Look in the browser’s header bar. The X/Y coordinates appear in header bar.

- ii) The property address is unknown.

Enter the road or street name as the Address, the closest community or post office name as the City, the State and, if known, the Zip Code. Press “Enter” and adjust the scale of the map to where the approximate location of the property is visible. Then, follow the steps in No. 1 above.

Market Comparable Sale Location Map Exhibit

The GPS reference for each comparable use in the analysis should appear, wherever possible, on the map exhibit, with the same equipment and system information as discussed above for the subject’s location map.

D. Farm and Ranch and Specialized Production Agricultural Facility Property Collateral Valuation Report Forms

1. Overview

These comment and guidance notes are provided to assist Originators, Sellers, Servicers, and appraisers in the use of the following forms.

As shown in the list below, some of the forms are required in every Appraisal Report. Those labeled “Example” forms illustrate information Farmer Mac requires in certain situations. Some forms are required only when certain property conditions exist.

All information requested in the following Farmer Mac forms is required in all appraisal reports. In each case, an equivalent form may be used subject to approval by the Farmer Mac Underwriting Department.

Form 1010A	Environmental Disclosure (a one-page form), or an equivalent disclosure form
Form 1023A	Sample Fee Appraiser Engagement Letter (a three-page form), or an equivalent engagement document
Form 1037	Assumptions and Limiting Conditions (a two-page form), or an equivalent document
Form 1037B	Sample Assumptions and Limiting Conditions Agreement (a one-page form) – Required when the report contains hypothetical conditions, or assumptions and/or limiting conditions that differ from those in the Form 1037.

Required in an Appraisal Report when the property includes irrigation or drainage conditions that affect value

Form 1020	Agricultural Water Supply Questionnaire (a four-page form)
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Sample and Example forms (Use of these forms is optional)

Form 1027A	Appraisal Report Content Requirements (a three-page form which may be used by the appraiser as a summary of the assignment and report content – use of this form is optional)
Form 1027B	Allocation Table (a one-page form)
Form 1034	Permanent Planting Data Summary (Example) (a one-page form with one “notes” page)
Form 1035	Income Approach Data Summary (Example) (a one-page form with one “notes” page)
Form 1036	Sale Data Summary (Example) (a one-page form with one “notes” page)

Forms 1034, 1035, and 1036 illustrate what information an appraiser must include in certain situations. An appraiser can use an alternate form to provide equivalent information.

2. Obtaining Electronic Versions of Collateral Valuation Report Forms

Farmer Mac approved Sellers may obtain the most current collateral valuation forms at www.efarmermac.com, within the Resource Library.

Appraisers may request the most current collateral valuation forms through the originating institution or Farmer Mac Client Services via email at ClientServices@farmermac.com.

3. Form User Guidance Notes

As general background, the following notes use the term “originator” to identify the party that engages the appraiser in an appraisal assignment. In some cases, the appraiser is engaged in an assignment by a party that is a Seller and in other cases the party is an originator acting on behalf of and under contract with the Seller or Servicer.

Whichever party (originator, Seller, or Servicer) engages the appraiser in an appraisal assignment is identified as the appraiser’s Client. Farmer Mac is not typically a ‘Client’ in an appraisal assignment and, unless the appraiser is directly engaged in an assignment by Farmer Mac (such as by a Servicer), should not be identified as the Client.

Other users of the appraisal, such as Farmer Mac, are called intended users of the appraisal. These distinctions are important because they affect the appraiser’s obligations to the Client and the other intended users under professional standards, and affect the originator’s responsibility to other intended users.

The sequence of events in the process of obtaining candid and credible collateral valuation information begin with the originator’s contact with the loan applicant or borrower. The guidance provided here presumes a certain sequence in the use of the forms listed above. The actual sequence might well vary from loan to loan, but the end-result should be the same. This guidance also presumes the appraiser is an independent

contractor (fee appraiser). If the appraiser is an originator's employee, the form requirements apply but the process and sequence of using the forms is at the originator's discretion.

Form 1010A – Environmental Disclosure (a one-page form)

Requirement – This form or its equivalent is a required part of the Appraisal Report.

Purpose – This form is designed to document information about the presence or absence of hazardous materials, underground storage tanks, and other property related conditions.

Form Use – The appraiser uses the form during the property visit to check whether the conditions observed at the property are consistent with the information provided by the party that completed the form. If the conditions are not consistent, the appraiser is to note the differences in the Appraisal Report. A copy of the form is to be included in the addenda to the Appraisal Report.

The originator uses the completed and signed form in the Appraisal Report addenda to determine whether action is necessary to clear-up differences between what the party initially completing the form stated and what the appraiser observed.

Completed By – The form is initially to be completed and signed by the loan applicant or the party responsible for the property (property owner, property owner's agent, etc.).

Form 1023A - Sample Fee Appraiser Engagement Letter - Farm and Ranch and Specialized Agricultural Facility Property (a three-page form), or a form providing equivalent information

Requirement – An originator- and appraiser-signed copy of this form, or its equivalent, is a required part of the Addenda in all appraisal reports.

Purpose – This form is designed to document the terms, requirements, and conditions that apply in a specific appraisal assignment, and provide (in attachments) the appraiser with any other appraisal-related documents available to the originator at the time.

Form Use – The loan originator, Seller, or Servicer may use this form or an equivalent form to engage an appraiser.

If the loan originator, Seller, or Servicer uses an annual contract, individual appraisal assignments must be documented in a manner that references that contract.

Completed By – The originator is expected to enter information in place of the italicized words shown in <*brackets*> (such as names, addresses and dates), and to enter information such as the acreage, number of parcels, telephone numbers, etc. applicable to the appraisal assignment.

The appraiser that accepts the assignment is required to return a signed copy of the Form 1023A (or its equivalent) to the originator to document the appraiser's acceptance of the assignment.

The appraiser also includes a copy of the fully signed document in the Addenda to the Appraisal Report. This sequence is to ensure the parties have a common understanding of the assignment requirements at the onset of the appraisal and ensure all other intended users of the appraisal recognize the terms and conditions under which the work was performed.

Form 1027A (Appraisal Report Content Requirements)

Requirement – Form 1027A may be used by the Appraiser to understand the basic information required in appraisals.

Form Use – The appraiser may use this form as a checklist to ensure each requirement is addressed. The originator may use the appraiser-completed form as a checklist in the process of reading the report and comparing the report contents with the requirements stated in the engagement document (Form 1023A or its equivalent).

Form 1027B – Allocation Table

Requirement – This form or its equivalent is required in an appraisal report when:

The type of report is not the original AgWare UAAR form, and

The 'subject property' includes improvements with a combination of residential use and non-residential use building improvements, and permanent plantings.

Note: If the appraiser uses the original AgWare UAAR form set, the Form 1027B is not required because the original AgWare UAAR form set provides the needed allocation information.

Since the Component Appraisal Forms (UCAF) version of the AgWare UAAR form set does not include the needed allocation information, the Form 1027B or its equivalent is required as part of the UCAF version of the appraisal report.

If the report style/format is a narrative or a form set other than the original AgWare UAAR form set is used, the Form 1027B or its equivalent is required as part of the report.

Purpose – This form provides the Farmer Mac Underwriter with the information needed to evaluate appropriate loan terms and conditions, and identify what type of loan program is most appropriate given the subject property characteristics.

Form Use – The appraiser uses the form to allocate the final value opinion among the property components (Land, Site Improvements, Permanent Plantings, Residential Use

Building Improvements, Non-Residential Use building improvements, and Agricultural Use Equipment Components), and indicate the estimated remaining economic life of the depreciating components.

Completed By – The appraiser makes the entries on this form AFTER reaching the conclusion of total property value. Guidance on which property components are to be included in each category is provided within the form.

The Form 1027B should appear in the report AFTER the appraiser’s final value conclusion information, such as after the report certification or in the report Addenda.

Form 1037 – Assumptions and Limiting Conditions (a two-page form)

Requirement – This form (or equivalent form approved by Farmer Mac Underwriting department) is a required part of all appraisal reports.

Purpose – This form establishes a consistent set of “Assumptions and Limiting Conditions” that Farmer Mac can accept as normal in an appraisal assignment, and provides a way for appraisers and their clients to add to the normal set as needed.

Form Use – The appraiser uses this form to state the assumptions and limiting conditions, and any extraordinary assumptions or hypothetical conditions that were applied in the appraisal. The report reader uses this form to identify those factors and consider them in the underwriting process.

Completed By – The appraiser makes entries on this form to provide the “Report No.”, the property inspection response in Item 6, and to state the additional assumptions or limiting conditions agreed to by the client (as documented in Form 1037B) in Item 18.

If the appraiser is using the UAAR to document the appraisal, this form replaces the Assumptions and Limiting Conditions page in the UAAR form set. The Farmer Mac Form 1037 is available in the UAAR Forms Library, under the FAMC Forms section. The Form 1037B is also available in the UAAR Forms Library.

Form 1037B – Sample Assumptions and Limiting Conditions Agreement (a one-page form)

Requirement – This form is required when the appraiser and client agree to the use of assumptions and limiting conditions other than or in addition to those shown in the Form 1037.

Purpose – This form is to be used to document the Client and appraiser’s decisions when the report contains hypothetical conditions or assumptions and limiting conditions that differ from or add to those shown in the Form 1037.

Form Use – The appraiser and client use this form to show their agreement and, thereby, acceptance of responsibility for use of hypothetical conditions or assumptions and limiting conditions other than those shown in the Form 1037.

Completed By – The appraiser and client.

If the appraiser is using the UAAR to document the appraisal, this form is available in the UAAR Forms Library, under the FAMC Forms section.

Form 1020 – Agricultural Water Supply Questionnaire (a four-page form)

Requirement – This form is required as part of the Appraisal Report addenda when the property includes irrigation or drainage conditions that affect value.

Purpose – This form provides specific detail on the source, quality, and cost of irrigation water, and drainage conditions and costs.

Form Use – This form, completed by the property owner or the borrower, is to be available to the appraiser prior to or at the time of the property visit. The appraiser uses the information in the completed form to identify irrigation and property productivity and to compare that information with field observations and other irrigation and drainage information. A copy is to be included in the Addenda to the Appraisal Report to show that the Form 1020 information was available to the appraiser.

Completed By – The property owner or loan applicant completes this form. The originator should provide a copy of this form to the appraiser prior to the property visit.

Forms 1034, Form 1035, Form 1036 (Examples)

Requirement – The use of these forms is at the appraiser's option, but an alternative form or table must provide an equivalent level of data and analysis detail.

Purpose – Farmer Mac provides these example forms (Farmer Mac Form 1034 – Permanent Planting Data Summary, Farmer Mac Form 1035 – Income Approach, and Farmer Mac Form 1036 – Sale Data Summary), all in MS Excel for use by appraisers, as applicable, in a narrative style Appraisal Report.

Although appraisers usually have some kind of data summary and analysis forms of their own design, these forms illustrate the specific permanent planting, income approach, and sale data Farmer Mac requires.

Form Use – The appraiser may use these forms as part of the exhibits in a narrative report or in place of similar pages in a form set, such as the UAAR, or in a form set other than the UAAR.

Completed By – The appraiser completes these forms, as applicable.

E. Collateral Assessment Report (CAR) – Farmer Mac Form 1047

Requirement – See CV 101.8.B. Seasoned Loans

Purpose – This form documents a consulting service whereby the consulting appraiser provides a current status report on the security property and its market, reports on property or market changes since the date of the most recent appraisal, and provides recommendations regarding continued use or replacement of the most recent appraisal and use of the value in loan accounting.

If the recommendation is to obtain a new appraisal, the consulting appraiser is to also recommend a downward adjustment (stated as a percentage) in the value used in loan accounting by Farmer Mac. That recommended downward adjustment is to be used by Farmer Mac only until the new appraisal is received and accepted by Farmer Mac.

When the Report is provided by an appraiser AND includes a recommended downward adjustment to the value in the most recent Appraisal Report, the consulting appraiser is expected to document his or her assignment work file with the market data and analyses appropriate to support the basis for the downward percentage recommendation, and add a cover page that clearly states the attached Report is a “Restricted Appraisal Report”, and attach to the report package Farmer Mac Form 1037 (or Form 1037B) and the consulting appraiser’s certification statement in compliance with Standard 2 in USPAP.

Form Use –See CV 101.8.B Seasoned Loans

Completed By – The Seller completes the header and Section A of the form, and the appraiser completes the remainder.