**TO: Zions Ag Finance Loan Originators**

**FROM: Rod Avey DATE: 8/15/2006**

**SUBJECT: FAMC Collateral Valuation Standards and Guidelines**

# SECONDARY MARKET APPRAISAL REQUIREMENTS

(Farmer Mac)

The appraiser that you engage is to have a thorough understanding of Chapter CV101, Collateral Valuation Standards and Guidelines which is part of the Farmer Mac Seller Guide. The appraiser is required to complete his appraisal based upon the standards in that guide and certifies that his appraisal does, in fact, comply with those standards.

To assist you in engaging appraisers we have included on the enclosed CD a copy in of Chapter CV101 of the Farmer Mac Seller Guide relating to Collateral Valuation Standards and Guidelines.

You will be provided a CD containing copies of the FAMC Appraisal Engagement letter and all supplemental forms. The FAMC Appraiser Engagement letter.dot template form needs to be copied to your MS Office Template directory. Forms that have a file extension .xls and .doc need to be copied to your MS Office file directory. You will need to add your letterhead to the FAMC Appraiser Engagement letter. This will require that the form be unprotected. After the letterhead is added remember to again protect and then save the template.

We do recommend that when engaging an appraiser for the first time that the appraiser be provided with a copy of the appraisal files included on the CD in order that he has available a copy of the Collateral Valuation Standards and Guidelines and all of the supplemental forms that may be needed in completing his assignment.

Due to the complexity of the Collateral Valuation process you may want to consider reviewing with your appraisers these procedures prior to actually engaging their services.

**Guide Notes to Farmer Mac Collateral Valuation Report**

**Required Supplemental Forms**

FTF Environmental Disclosure 1010A

1027 Summary of Appraisal Assignment Requirements

1037 Assumptions and Limiting Conditions

**Additional Forms Required if Applicable**

1035 Income Approach (Example\*)

1034 Permanent Plantings (Example\*)

FTF Irrigation and Drainage Supplement 1013A (applicant completed, appraiser reviewed)

1036 Sale Data Summary (Example\*)

\*Farmer Mac provides Example forms for use by appraisers, as applicable. 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. An appraiser is expected to supplement the data in an example form with narrative or with supporting exhibits (tables, spreadsheets, etc.) as the situation requires.

The appraisal must comply with the Farmer Mac Seller/Servicer Guide Chapter CV101. This file is provided.

We recommend that the appraiser complete the Income Approach to Value utilizing the owner’s method of allocating income and expense and not the rental method in order to achieve the FAMC Property Debt Coverage requirement.

**General**

Appraisal reports may be documented using a published form set, such as the *Uniform Agricultural Appraisal Report* (UAAR), published by the *American Society of Farm Managers and Rural Appraisers* and distributed with form processing software by AgWare, Inc., or its equivalent, or in a narrative report.

Farmer Mac recognizes appraisers differ in their preference for using a published form set, such as the UAAR, or a narrative style report.

Farmer Mac provides standard forms and example forms to balance the need for consistent reporting of information with an appraiser’s freedom to use an appraisal documentation style (form or narrative) that the appraiser prefers. Farmer Mac must also ensure the information that is essential for use in underwriting is consistent and made available in a way that ensures the reader, particularly an underwriter, recognizes and appreciates the significance of the information.

Form 1027 Summary of Appraisal Assignment Requirements must accompany the appraisal and be signed by the appraiser. The Originator is required to verify that the information supplied is accurate and also sign the form.

An Environmental Disclosure Form must accompany the appraisal and be signed by the Appraiser.

The appraisal should include a copy of the signed Engagement Letter.

Farmer Mac will not purchase any loan with an appraisal date more than one year prior to the date of purchase by Farmer Mac.

The appraisal must be assigned to Zions Agricultural Finance by the Originator.