



AG-AMERICA COMMERCIAL FARM AND RANCH COLLATERAL VALUATION GUIDE

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CHAPTER CV101 COLLATERAL VALUATION STANDARDS AND GUIDES

CV101.1 Overview

- This Collateral Valuation Supplement (CV Supplement) to the Ag-America Commercial Farm and Ranch Lending Guide is provided to aid those who obtain or perform collateral valuations – identify the requirements that apply in the valuation assignment, and recognize their responsibility for the integrity and suitability of the collateral valuation information used to obtain a loan.

General Guidance on Terms:

- Terms that have a distinct meaning in this CV Supplement are italicized at the first instance of use. The term definitions are shown below or, in a footnote within the Guide or in the Uniform Standards of Professional Appraisal Practice (USPAP).
- Some of the terms defined in USPAP have been modified for use in this CV Supplement, including the terms Appraisal, Appraisal Report, Appraiser and Assignment Results. Those terms and other terms with distinct meaning in this CV Supplement are defined as:
 - An **Appraisal** includes an opinion of value developed by a qualified Appraiser and documented in a written Appraisal Report in compliance with Ag-America Commercial Farm and Ranch Lending Guide.
 - An **Appraisal Report** includes the information required to comply with USPAP Standard 2 (including Standards Rules 2-1, 2-2 and 2-2(a) and 2-3) and all additional Appraisal Report Content Requirements stated in Farmer Mac Form 1027A.
 - An **Appraiser** is an individual who meets all of the conditions stated in the USPAP definition of Appraiser and who possesses a current, unrestricted certification as a real estate appraiser (Certified General or in specific instances, Certified Residential) issued by a jurisdiction with a real estate appraiser licensing and certification program in compliance with Appraisal Sub-Committee (ASC) requirements for such programs. Ag-America may, at its sole discretion, grant an exception to the appraiser's state or territory certification requirement under conditions determined appropriate by Ag-America.
 - **Assignment Results** are the opinions and conclusions regarding the subject property in an appraisal, including:
 1. The legal, physical and economic characteristics of the property that are relevant in its market, including the income producing characteristics of the property,
 2. The characteristics of the market for the subject property (e.g., supply/demand, competition, trends, etc.) and the opinion of probable change in those factors in the foreseeable future,
 3. The highest and best use of the property, and
 4. The Market Value for the property, as is, as of a current date.
- **Market Sale** is a documented and verified transfer of a real property ownership interest between unrelated parties under conditions consistent with the definition of Market Value.
 - If a sale between unrelated parties involves conditions that are not consistent with those stated in the definition of Market Value (see below), the difference(s) must be reflected in the analysis of the sale to result in an indication of a cash-equivalent market price.
 - A transaction between parties that are related by family or legal-entity bonds (e.g., inter-family or inter-company transfers) is not acceptable as a Market Sale in the market analysis in an appraisal completed for use in an Ag-America loan action without substantial and convincing support to demonstrate that the transaction is equivalent to a Market Sale.
- **Market Value** means 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:
 1. Buyer and seller are typically motivated;
 2. Both parties are well informed or well advised and acting in what they consider their own best interest;
 3. A reasonable time is allowed for exposure in the open market;
 4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
 5. The price represents the normal consideration for the property sold unaffected by the special or creative financing or sales concessions granted by anyone associated with the sale*.

- *This definition is the same as the definition of Market Value published in the Federal Register on July 5, 1990 by the Board of Governors of the Federal Reserve System pursuant to Title XI of FIRREA.
- In an appraisal involving personal property as well as real property, the definition of value for the personal property may be a modified version of the Market Value definition for real property stated above.
- **Significant Adjustments** are adjustments made to comparable sales that exceed 5% of the total sale price. Specific comments in support of the adjustment are required when such adjustments are used in the sale comparison analysis.
- **Significant Improvements** are improvements that contribute more than 10% to total property value. Examples include irrigation, permanent plantings and/or buildings.
- **Valuation** includes appraisal, appraisal review, appraisal consulting and collateral valuation updates completed for use in an Ag-America loan action.
 - Other terms defined in USPAP and used in this CV Supplement have the meaning given them in USPAP. For example, Assignment, Assumption, Limiting Condition, Extraordinary Assumption and Hypothetical Condition have the meaning stated in the Definitions Chapter of USPAP.

CHAPTER CV101.2 COLLATERAL VALUATION MANAGEMENT AND ADMINISTRATION

General Objective

- Ag-America's objective is to reasonably ensure that all interested parties obtain candid, impartial and reliable information about the property that serves or is to serve as security for an Ag-America loan.
- The valuation function includes:
 1. Selection and engagement of qualified appraisers; (Ag-America will provide Engagement letter)
 2. Developing appraisal assignment results and documenting those results in a written report;
 3. Appraisal Report acceptance; and
 4. Collateral Valuation Quality Assurance Procedures, such as Appraisal review.
 - For Farm and Ranch and Specialized Production Agricultural Facility products, the Originator will be responsible for items 1 and 2. Ag-America will complete items 3 and 4, as described in Chapter [CV101.7](#) – Collateral Valuation Acceptance, Appraisal Reviews and Performance.

Collateral Valuations for use in Loan Underwriting

- Collateral valuation information is necessary to:
 - Identify the "Value" in the Loan to Value ratio,
 - Assess the security property's contribution to the borrower's debt service capacity and financial strength, and
 - Identify and understand the security property's market characteristics and risk, such as when a property is:
 1. Not typical in size, location or use in its market
 2. Adversely affected by access, irrigation or drainage conditions, or
 3. A property with improvements (structures or plantings) with remaining economic lives shorter than typical loan terms or with unstable productivity.

Balance

- The requirements stated in this supplement rely on the use of sound business judgment to ensure that the work requested and performed is not excessive or deficient in a given transaction, property and market situation.
 - Open communication between the party obtaining the valuation and the appraiser, at the beginning and over the course of performing the valuation, is essential to avoid unnecessary time and expense.

Ag-America Requirements and Uniform Standards

- Appraisal completed for loans submitted to Ag-America must conform to the requirements stated in this CV Supplement which include compliance with the USPAP edition in effect as of the date of the Appraisal Report.

Exceptions

- These collateral valuation requirements are designed to address most issues that arise in appraisal assignments. If the circumstances in a specific assignment are not addressed, the appraiser should discuss the issue with his or her client or employer (e.g., the Originator or AMC). Originators, in turn, are encouraged to contact Ag-America to determine whether an exception to a requirement is warranted.

Independent Collateral Valuation Function

- The collateral valuation function must be independent of all other functions associated with the loan decision-making process. Accordingly, the processes of obtaining and performing collateral valuations must be conducted or administered by a qualified individual who meets the following criteria:
- Is not associated, except by the engagement for the appraisal, with the credit underwriters who make the loan decisions, though both the appraiser and the credit underwriter may be directly or indirectly employed by a common employer,
- Receives no financial or professional benefit of any kind relative to the report content or valuation, or the credit decisions made or based on the appraisal assignment results that would result in a violation of the Ethics Rule in USPAP, and
- Has no present or contemplated future direct or indirect interest in the subject property in the appraisal
 - The intent of the functional independence requirement is to ensure separate of the appraiser from direct control or influence by (1) individuals connected with the loan production or marketing functions and (2) individuals with present or prospective ownership interests, while permitting the selection of qualified appraisers.

Collateral Valuation Responsibility

- Ag-America has primary responsibility for management of the collateral valuation procurement function, that ensure:
 1. Appraiser qualifications are verified and documented. The Appraisal Sub-Committee (ASC) of the Federal Financial Institutions Examination Council (FFIEC) maintains a registry of licensed or certified real estate appraisers on its website at www.asc.gov, to check an appraiser's license or certification status.
 2. Appraisers must provide uniform and candid reporting of credible and reliable opinions of *Market Value* and when applicable, estimated *Gross and Net Property Income* (based on Owner-Operator or *Market Rent*), and information on the characteristics of the subject property and the relevant market forces.
 - Note: See Chapter [CV101.4](#) for guidance on *Net Property Income* and *Market Rent*.
 3. Originators assist Ag-America in the process of ensuring valuations meet expectations established in the engagement process and identify apparent departures from Ag-America requirements.
 - Note: For Farm and Ranch and Specialized Production Agricultural Facility loan products, the collateral valuation acceptance and quality assurance processes will be accomplished by the third party investor. See Chapter [CV101.6](#) for Farm and Ranch and Specialized Production Agricultural Facility property requirements.
- Originators provide an electronic file version of the original Appraisal Report, with exhibits in color (not black/white) to Ag-America. A paper copy of the report may be required at Ag-America's sole discretion.
 - If the valuation was obtained by an Originator, the Lender is also required to document its acceptance of the valuation report in the loan file or, in the alternative, complete an appraisal review.

Paper reports and Electronic Files

- Ag-America requires an electronic version of the Appraisal Report, in Adobe Acrobat (PDF) format. However the party that engages the appraiser (Originator) is expected to retain one paper copy with original signatures and may require additional paper originals or copies of the report.
- The party engaging the appraiser (Originator) shall specify the number and type (originals and copies) of paper reports and the type of media or method of transmission for electronic files in the process of engaging the appraiser (Farmer Mac Form [1023A](#) – Sample Fee Appraiser Engagement Letter).

Appraiser Service Companies

- Subject to Ag-America's prior approval, an Originator may elect to contract with an appraisal services company to obtain collateral valuation services. In such instances, the Originator is to remain the appraiser's client in an appraisal assignment although the appraisal service company may be acting as agent for the Originator under the terms of a contract between Originator and the appraisal service company.

Engagement of Appraisers

- The first and best assurance of acceptable collateral valuation quality is the engagement process. The client (Originator) must communicate to the appraiser the:
 - Use and purpose of the appraisal,
 - Definition of value to be used in the assignment,
 - Physical property and property rights to be appraised,
 - Intended use and intended users of the assignment results, and
 - Standards and requirements that apply in the assignment.
 - This effort prevents misunderstandings and subsequent delay and cost to correct errors or omissions.

Direct Engagement by an Approved Originator

- Originators are expected to use a formal appraiser engagement process designed to record and communicate the appraisal requirements to the appraiser.
- A Sample Fee Appraiser Engagement Letter (Farmer Mac Form [1023A](#)) – Farm and Ranch and Specialized Production Agricultural Facility Property) is included in the Forms Chapter of the Guide and on Ag-America's website.
- When the appraiser is an independent contractor (fee appraiser) the engagement the engagement contract must be documented in writing. The contract may be on an annual or assignment-by-assignment basis. If the engagement is based on an annual contract, the written documentation for an individual assignment must reference the annual contract.
 - Note: The entity that engages the fee appraiser may use its own letter of engagement or equivalent correspondence provided it addresses each of the points in Farmer Mac Form [1023A](#).

Appraisals from Third parties

- Ag-America will not accept any appraisal engaged directly by a loan applicant, borrower or any agent of the loan applicant or borrower (accountants, attorneys, real estate brokers, etc.).
- However, appraisals for which applicants or borrowers have paid, but have been completed by an appraiser engaged directly by another lending institution may be accepted subject to the guidelines set forth below.
- Ag-America may, in its sole discretion, accept for loans secured by a Farm and Ranch or Specialized Production Agricultural Facility appraisals completed by appraisers that were engaged by a lending institution other than an Originator applying through a Lender.
- The Originator (or Originator applying through a Lender) must provide a statement together with the Appraisal Report, confirming that the original Lender has reviewed the Appraisal Report and verified:
 1. The Appraisal was not obtained by or performed for the loan applicant or borrower or agent of those parties:
 2. That the report:
 - a) States that the intended use of the appraisal is an agricultural property secured lending and that the lender, Ag-America and Farmer Mac are "intended users" of the Appraisal Report.
 - b) Conforms to the lender's appraisal policies and the regulations, under which the lender operates, as well as Ag-America and Farmer Mac's collateral valuation standards and guides (which include compliance with USPAP).
 - c) Has a Date of Value not more than 360 days prior to the date of loan closing.

CHAPTER CV101.3 MINIMUM REQUIREMENTS

- Collateral valuation requirements for individual loan transactions differ according to the type of transaction. The requirements stated or referenced in this Chapter concern collateral valuations for individual loan actions.
- See Chapter [CV101.8](#) for collateral valuation update requirements that may apply.

New Loans

- Ag-America requires an appraisal that is submitted in support of the collateral value in the loan be:
 - Obtained by the Originator,
 - Completed by a Certified General R.E. Appraiser or (if the highest and best use of the proposed security is as rural residential use property AND the property is improved with an existing residence with significant contributory value) a Certified Residential R.E. Appraiser,
 - Developed and communicated in an Appraisal Report in compliance with USPAP and Ag-America's Collateral Valuations requirements, and
 - With a date of value not over 360 days prior to the date of loan closing.
- Notwithstanding the 360 day age of appraisal allowance, Ag-America may, at its sole discretion, require an update of an appraisal submitted to support the new loan.
 - Note: Improvements Completion Verification – The appraiser that developed a valuation that involves proposed improvements or modifications to a property must, whenever possible, be the person that verifies that the proposed improvements or modifications have been completed in accordance with the conditions and requirements for such work stated in the Appraisal Report.

CHAPTER CV101.4 FARM AND RANCH PROPERTY APPRAISAL REQUIREMENTS – LAND PROPERTY

General Overview

- This Chapter CV101.4 provides guidance on the minimum scope of work (research and analysis) and report content requirements that apply when the appraised property is land without significant planting or building improvements.
- See Chapter [CV101.5](#) for guidance and requirements when the property to be appraised includes significant planting or building improvements. The guidance in this Chapter is presented in the sequence of obtaining, developing and documenting an appraisal.
- In summary, Ag-America expects the appraiser's scope of work in a land property appraisal to include, as a minimum;
 - An on-site inspection of the property,
 - Property research, including its historical uses and existing use, to identify physical and economic characteristics of the property that are significant in its market
 - Development of a highest and best use conclusion for the property, considering its legal, physical and economic characteristics in terms of market demand (including an analysis of the property's income producing capacity and reporting of that analysis result with an estimate of the Gross and Net Property Income for all properties except a "Lifestyle Ranch" property),
 - Market research, including confirmation and verification of relevant market sales and analysis of those sales to develop and support a credible value conclusion, and
 - Documentation of the appraisal assignment results in an Appraisal Report that contains sufficient information for the intended users to understand the appraisal development process and the appraiser's support for the property and value conclusions.
 - Note: A Direct Market Sales Comparison Approach or an Income Approach, whichever provides the most credible and reliable basis for the market value conclusion, is required in an Appraisal. If an Income Approach is completed, the capitalization rate must be supported by an analysis of market sales. Also, the report must be an Appraisal Report that term is defined in [CV101.1](#), not a Restricted Appraisal Report.

Selecting and Engaging the Appraiser

- The Appraiser for a land property appraisal must be:
 - State-licensed as a Certified General Real Estate Appraiser;
 - Have experience that reasonably assures he or she is able to complete the appraisal assignment competently in response to Ag-America's requirement for a candid, impartial and reliable appraisal.
- The appraiser must have specific education and experience in the type of property involved. The Originator is expected to consider an appraiser's overall credentials when making the selection and assignment decision.

Matching the appraiser's abilities with the complexity of the work involved is a critical step in avoiding excessive costs as well as unnecessary loss of time due to deficient work.

- If the Originator does not have experience with the appraiser's work, the Originator (or party acting as agent for the Originator, such as an appraisal management company) is expected to verify that the appraiser's Certified General Real Estate Appraiser status is current and unconditional by checking the National Appraiser Registry at www.asc.gov conduct sufficient research and verification to reasonably determine that the appraiser is competent to complete the appraisal assignment. See Chapter [CV101.2](#) for additional guidance and requirements.

Scope of Work

- The appraiser must determine the appropriate appraisal research and analysis methods and techniques to use in developing and analyzing the property and market information in support of the valuation assignment results (i.e., the scope of work). This information must include the characteristics of the subject property that are significant in its market, the characteristics of that market, relevant and necessary market sale, cost and income data and the result of analyzing the information.
- When the market's response to the subject property is most consistent on the basis of the property's income producing characteristics, an Income Approach is required.
 - Note: If an Income Approach is not completed in an appraisal, the property's income producing capacity must be addressed in the course of developing the highest and best use conclusions, as part of identifying and analyzing the property's economic characteristics.
- The scope of work to be applied in developing appraisal opinions and conclusions can and should vary according to the volume of the loan, the characteristics of the property and its market and the intended use of the assignment results (e.g., new loan action).
- An appraiser is required to perform the scope of work in an assignment that is necessary to develop credible and reliable assignment results, given the intended use of those results.
- When the property and its market are straightforward and the property is well matched to the market, the appraisal and its report should be equally simple. However, as the diversity or complexity of the physical or economic characteristics of a property increase, or when the property is not typical in its market, the scope of work and report content is expected to reflect those conditions.
- An appraiser is expected to discuss with his or her Client/Originator or employer any situation that might warrant an exception to Ag-America's requirements in an assignment. The Originator is expected to contact Ag-America to discuss exceptions to Ag-America's requirements and request prior approval when appropriate.

Assumptions and Limiting Conditions

- Except as stated below, the Assumptions and Limiting Conditions acceptable to Ag-America in an appraisal are those illustrated in Farmer Mac Form [1037](#), or an equivalent form may be used subject to prior approval by the third party investor, which must be included in the Appraisal Report. (See Chapter [CV101.9](#))
- If the Client/Originator in an appraisal assignment believes there is a need for the appraiser to apply other assumptions and limiting conditions, or to use extraordinary assumptions or hypothetical conditions in an assignment, those must be stated in written documentation addressed to and acknowledged by the appraiser as acceptable for use in the assignment.
- If the appraiser believes there is a need to apply other assumption or limiting condition in the assignment, or to use any extraordinary assumption or hypothetical condition, the appraiser must:
 - Contact the Client/Originator to obtain its prior agreement, and
 - Include in the report a clear disclosure and explanation of each additional assumption or limiting condition, or extraordinary assumption or hypothetical condition. A copy of correspondence from the Client/Originator documenting its prior agreement must be included in the report.

RESEARCH AND ANALYSIS REQUIREMENTS

Legal Characteristics of subject property

- In most instances, the information about the subject's legal characteristics will be based on a preliminary title report or other public record (or recordable) document that should be provided to the appraiser at the onset of the assignment.

- Note: If such a source document is not available, the appraiser is expected to communicate with the client/originator to be reasonably certain that the property appraised will match the property that is to serve as loan collateral.
- The information must include the type of ownership to be appraised (Fee, Leased Fee, or Leasehold, or a combination of these) and include the terms and conditions of any leases and a summary of any known easements or similar encumbrances.
- The property's physical legal description must be provided to the appraiser by the client/originator as part of the engagement process whenever possible. If that description is not available from a preliminary title report or a public record, the appraiser may use an Assessor's Parcel Map, Tax Map, Preliminary Parcel Map, Survey, or other similar document as a substitute. However, doing so will require the use of an extraordinary assumption that the document used accurately represents the subject's actual physical legal description. Also, this situation will require confirmation to Ag-America by the client/originator that the legal description used in the security instrument matches the physical legal description used in the appraisal.

Legal Limitations

- Information regarding the in-place zoning or land use regulations or contracts that affect property utility must be researched and analyzed to identify and understand how those legal limitations affect the property use.
- **“As Is” and “Current Value Opinion”** – The appraiser is to analyze the property “As Is” and as of a current date, using analyses methods and techniques that indicate the market's most probable response to the property as a unit, from one seller to one buyer in one transaction.
- *As Is* means the subject property is valued in its actual physical condition and subject to the zoning and use regulations in effect as of a current date (*Current Value Opinion*).
 - Note: If subject property is not marketable in its actual condition, or the in-place use is not a legal use (for example, due to property use above a legally permitted capacity, or a property use that requires a permit when no permit was obtained) the appraiser may, after obtaining written prior agreement and authorization by the client/originator, use a *Hypothetical Condition* to analyze the property and develop the *Current Value Opinion*.
- Likewise, if the assignment includes analyzing the subject property under *Hypothetical Condition* that a proposed development or improvement project has been completed as of a current date that opinion of value is acceptable in addition to, but not in place of, the *As Is* – as of a current date opinion of value. See the Definition Chapter of USPAP for the meaning of *Hypothetical Condition*.
- If the assignment includes analyzing the property as it will exist once a proposed development or improvement project is completed the value opinion as of the future date, when the development or improvement project is complete under an *Extraordinary Assumption*, is a *Prospective Value Opinion*. Such an opinion of value is acceptable in addition to, but not in place of, the *As Is* – as of a current date opinion of value. (See the Definition Chapter of USPAP for the meaning of *Extraordinary Assumption*).

Physical Characteristics

- Ag-America expects the information about the subject's physical characteristics to be based primarily on the appraiser's observations during an on-site inspection except when assignment conditions prevent an on-site inspection.
 - Note: The appraiser's inspection is expected to be in a manner similar to how typical buyers would inspect the property, but not at the level of an expert that a buyer might employ to identify or resolve technical issues, such as in areas of engineering, agronomy or environmental sciences.
- When assignment conditions do not allow an on-site inspection, such due to a lack of peaceful or lawful access, the appraiser may, with the client or originator's prior authorization and with property disclosure in the report (including any extraordinary assumptions), use public or other records that the appraiser determines reasonably reflect the actual property characteristics that are relevant in the assignment.
- The physical characteristic's information researched, analyzed, and reported must include, as applicable to the property and consistent with the significance of the information to understanding the property and its value:
 - **Location** – The physical address and (when applicable) the GPS reference for the location of the subject property.
 - Note: The Federal Financial Institutions Examination Council (FFIEC) provides a convenient source of GPS (Global Positioning System) references at its website for any property with an address in the Continental United States. The website address is www.ffiec.gov. The FFIEC has

included demographic and economic data from the Bureau of the Census, Census Tract Data Base associated with the GPS referenced location.

Property Access

- Identify and report the legal and (if different from the legal) physical access route from a public road.

Subject and Adjacent Property Uses

- Identify the land use areas within the subject property. Also identify and report the property uses on adjacent parcels.

Water Supply and Use

- Including, when applicable, the subject's water supply sources, pumping plants, pipelines and irrigation district outlets, distribution and drainage system component locations
- The appraiser's client/originator is to provide, when available, the applicant-completed Farmer Mac Form [1013A](#) (Irrigation and Drainage Supplement) to the appraiser at the onset of the assignment.

Irrigated Property Note

- If the subject property is irrigated, the appraiser must specifically identify, analyze and provide a summary of the information and analysis in the report concerning:
 - Irrigation Equipment - The appraiser is to identify, whenever possible, the make and model of the irrigation equipment, and identify and report the condition and estimated remaining economic life.

Irrigation Water

- The appraiser is to specifically analyze and report the subject's irrigation water situation, including:
 - Quantity (sources and adequacy of the water supply to meet the actual or planned cropping pattern);
 - Note: If the subject property receives irrigation water from a Federal Project, the client is to determine whether the property includes irrigated land in excess of Bureau of Reclamation limitations and provide that determination to the appraiser.
- The analysis in the appraisal is to reflect the eligibility of the property to receive federal project-source irrigation water accordingly.

Stability of Supply

- Adequate to meet the actual or planned cropping pattern;
 - Note: In areas experiencing drought or drainage problems, or where legal/regulatory actions create uncertainty as to the stability of supply, the appraiser must be provided with complete information (as is practically available to the applicant, borrower, owner or lender) on the status of water rights and contracts and drainage facility or entity conditions at the onset of the appraisal assignment. The appraiser must specifically analyze the information provided, together with other material information researched by the appraiser, and reflect the result in the market analysis.
- **Cost** of water and reasonableness of costs relative to current or intended property use;
- **Quality** of water (any detrimental aspects such as salts, nitrates, etc.);
- **Drainage** adequacy, including the condition and effectiveness of private or public agency drainage or flood control facilities designed to protect the property use.
- The analysis is to be based upon an examination of all available permits, agreements, etc., pertinent to the delivery of water, its use, and its drainage.

Soil

- The soil quality and productivity information must be identified and analyzed, and the result of that analysis reported in a matter that is consistent with the significance of soil quality to value.
 - Note: Except when necessary to describe an adverse soil condition, the report should not include reprints of material in published Soil Studies. Such information should be referenced or summarized when necessary.

Hazard Area(s)

- Identify the location of known hazards, such as environmental contamination sites, ground-fault hazards, or flood zones on or adjacent to the subject property, and analyze and report the impact of such areas on the property utility and market appeal.
 - Potential Liabilities Note:
 - **Environmental Concerns** – These include hazardous waste or other observed conditions, which must be identified and analyzed. A Farmer Mac Environmental Disclosure Form [1010A](#) is to be completed and signed by the property owner or his/her representative and a copy provided to the appraiser. The appraiser is to identify whether or not the information contained in the report is consistent with what he/she observed during inspection of the property and, if it is not, the appraiser is to specifically identify the variances. The Originator is expected to review the information provided by the property owner or his/her representative and the appraiser to determine whether the collateral is acceptable Ag-America loan security. Equivalent disclosure forms may be used.
 - **Flood Zone and Flood Map** – The appraiser is to research and identify any flood zone that affects the subject property and reflect the effect of any such zone in the analysis of the subject's utility and market appeal, and summarize that result in the Appraisal Report.
- **Subject Property Use and Economic Characteristics:** At the time of the assignment engagement, the appraiser should be provided with information regarding the current and historical use and productivity of the subject property.
 - The appraiser is to research and analyze such historical information, covering a sufficient time period to understand the property's use, productivity, and economics and to understand how that history affects the property's income producing capacity, market appeal and value.

Real Estate Taxes and Assessments:

- The appraiser is to identify and include in the report a summary of the current county tax assessment and the annual property taxes, and include that information in the analysis of the property use economics.
 - Note: In some real estate tax jurisdictions, the assessed value and real estate taxes are adjusted to market level upon sale of the property. If the subject's real estate taxes are likely to change significantly following the sale of the property, the appraiser must address the change in the analysis of the property's economic characteristics.

Market and Location Characteristics

- The appraiser must identify and analyze relevant information regarding the market for the property and its location.
- The geographic, demographic and economic information must be sufficient to identify and understand current market conditions, market trends, supply/demand balance and competition, and the subject's location strengths and weaknesses.
- The analysis and report must clearly indicate how the subject property relates to the typical property in its market and in its location (e.g., similar to, inferior to, or superior to the typical in size, productivity, operation, economics, condition, etc.), to ensure the report reader understands whether the subject property is similar or significantly different than the typical property in its market area.

Highest and Best Use Analysis

- The appraiser must analyze sufficient information to identify the subject's highest and best use from the market's point of view (e.g., in the eye of a typical buyer), and include a summary of the highest and best use analysis results in the Appraisal Report.
 - Note: The depth and detail of the appraiser's highest and best use analysis must correspond to the complexity of the legal, physical and economic issues involved. For example, if a property is located in a well-established and stable production zone for the use in-place, and that use is not likely to change, the data and analyses need not be extensive. In such a situation, supporting the conclusions by observation of the facts is adequate. However, when land use change potentials or alternatives are present, and the market is recognizing such change or alternatives, the analyses must be comprehensive and conclusive.

- In cases where the subject property contains specialized crop, livestock facilities, or permanent plantings, the analysis must include industry-specific economic data on trends, growth or shrinkage, marketing conditions, etc. (See Chapter [CV101.5](#) for requirements applicable to improved property).

Income Producing Capacity

- Except for a 'Lifestyle Ranch' property, the appraiser is to identify economically feasible uses in the process of the Highest and Best Use analysis, and include in the report the appraiser's estimate of the property's gross and net income producing capacity.

Net Property Income

- NPI, as defined in the Glossary
- Must be based on foreseeable future as well as relevant historical property productivity and reflect typical, competent management. The appraiser shall analyze the characteristics of the subject property, including its historical and foreseeable future productivity and price pattern for the primary commodities produced.
- The NPI may be developed and reported on an owner/operator premise or on a Share Rental or Cash Rental premise.
 - Note: Rental Income – When the subject property (1) has rental appeal in its market and (2) buyers and sellers decide value primarily or in part on the basis of property income, the appraiser must develop and report an estimate of market rent. This information is necessary for identification of risk related to an owner/operator versus rental source of the income.

Market Rent

- Is a type of market value, which, in the context of Ag-America Collateral Valuation Standards and Guides, is the value of the right to use all or part of a property for a defined period (rather than in perpetuity) under specified terms and conditions. The process of developing and supporting an opinion of Market Rent, whether on a Cash Rental or a Share Rental premise, is similar to the process for Market Value.
- If the NPI is developed on a rental premise, rather than an owner/operator premise, the appraiser is to identify and report the relationship between the Share or Cash Rental basis NPI and what an owner/operator based NPI would typically be from the property. This relationship is needed in underwriting to convert the NPI indicated for the property to an owner/operator equivalent basis.
 - Note: See the Income Approach example Farmer Mac Form [1035](#), provided as an Excel spreadsheet. Other forms or a narrative style report may be used, but the income producing capacity information analyzed and reported must not be less than as illustrated in the Income Approach page located in the Farmer Mac website www.farmermac.com.
 - Report Note: If an Income Approach is not completed in the appraisal, the Highest and Best Use section of the report must contain a summary of the appraiser's estimates of Gross and Net Property Income, and indicate the basis for the income estimates (i.e., Cash or Share Rental, or Owner/Operator, or a combination of these). If the income estimates are on a rental basis, the appraiser must also state the relationship, as a ratio, of rental to owner/operator net income (e.g., If Rental Income = \$100/Acre vs. Owner/Operator Net Income = \$150/Acre, the ratio stated would be 150%).

Market Value Analysis

- The market information researched and analyzed to develop and report the appraiser's opinions and conclusions must, at a minimum, include the data typical market participants would recognize as relevant and significant to value, including market trends.

Market Sale Verification Criteria

- Verification includes confirmation of the terms and conditions of sale by contact with a principal in the transaction (buyer, seller, broker, agent or other similar parties) or confirmation that the transaction information was verified by or at the direction of a certified appraiser functioning in compliance with the Ethics and Competency Rules in USPAP. The report is to include information identifying the source of the transaction data and the telephone number of the party contacted for verification or confirmation of the sale.

Market Sale Analysis Criteria

- An appropriate market sale identification and analysis will result in cash equivalent factors summarized in the report to indicate the:
 - Total Real Property Price, with the price for any personal property that was included in the sale stated separately
 - Real Property Price Per Production Unit, stated in terms of the “unit” referenced by buyers and sellers in the market for the property (e.g., Gross and/or Net Farm Acre, Per Plantable Acre, Per Animal Unit, Per Cow, etc.),
 - Contributory Value of each primary real property component (e.g., Land – including improvements to land, such as altered topography, irrigation or drainage systems, access, fencing, and the like), and
 - Market Investment return rates, such as direct capitalization rates or yield rates, for an income producing property.

Time and Distance Requirements

- Ag-America does not limit an appraiser’s freedom in the time frame or geographic proximity of a Market Sale used as a comparable in an appraisal. However, the appraiser has the obligation to support why each comparable was used in the analyses, and why other market sales of comparable property were not used.

Component Analysis, Assemblage, Value by Summation, or the “Build-up Method”

- When the market for a property is analyzed on the basis of the property components (e.g., each land use or quality area as a component), there is a tendency for the sum of the parts to be different than the market value of the whole. Such methods do not, alone, reflect enhanced or diminished value contribution due to size and diversity.
- Appraisal involving properties with multiple uses or several property components must be supported by an analysis of market data addressing how the market is expected to respond to the total property, as a unit, sold by one seller to one buyer in a single current transaction.
 - Note: Ag-America expects the appraisal to be thoroughly scrutinized, which includes segmented analysis methods, and to not accept an appraisal that lacks support for the market value of the total property by analysis of directly comparable market data, including income analysis where appropriate, or, in the absence of adequate market comparable sale or income data, an analysis of reference market data.
- *Reference Market Data* includes market sale or rental data on properties that represent similar investment risk characteristics but that might not be highly similar in property use, and market trend and economic data for an industry rather than a specific property. The use of such secondary data in support of adjustments is acceptable only when the appraiser supports its reasonableness and applicability, and primary market sale data is not reasonably available.
- Approaches to Value – Each “approach” completed to develop an indication of market value must be supported by an appropriate analysis of market data, including supply/demand balance.
- Adjustments or factors used in a direct market sales comparison and estimates used in an income approach that lack support by market sale or acceptable reference market data analysis are not acceptable. Adjustments and estimates must reflect market trends.

Direct Market Sales Comparison Approach

- A direct market comparison approach is required when the market’s response to the property is most consistent on the basis of price per property unit (e.g., price per site, per acre, per AU or AUM, per head, etc.).
- The contributory value of primary property components (e.g., land classes or use areas) must be supported by market data analysis.

Cost Approach

- A cost approach is not required in a Land Property Appraisal.

Income Approach

- An appraisal must include an Income Approach when the market’s response to the property is most consistent on the basis of its income producing capacity.
- An Income Approach may be omitted in an appraisal of an income producing property that could be analyzed on the basis of its income when the property income producing capacity is not meaningful in its market or IF

the market's response to the property, as a unit, is more consistent on the basis of price per unit AND the appraisal appropriately develops a credible and reliable value opinion on that basis.

- Note: Even though an income approach is not developed in such a situation, the income producing capacity of a property must be analyzed in developing the highest and best use conclusions, with the appraiser's estimate of net property income included in the report.

Discounted Cash Flow (DCF) Analysis

- When the market's response to a property is primarily based on the property's investment yield rather than periodic cash flow and a DCF analysis would provide credible and meaningful analysis, a DCF (based on an un-leveraged premise) should be used to develop an income approach.

Marketing History

- The appraiser is to research and analyze the subject's prior marketing history over at least the three-year period preceding the date of value.
 - Note: If the time frames covered by market sales used in the appraisal extends beyond the time frames stated in USPAP for the type of property involved, the time frame covered by the subject's prior sale and marketing effort information must at least match the market sales' time frame.

Market Value Reconciliation

- The appraiser is expected to reconcile the result of analyzing the property and market data, including supply and demand conditions at the time of the appraisal, to form a final market value opinion. In this final step, the appraiser must determine (1) the applicability and suitability of the approaches used; (2) the quality and relevance of the data analyzed; and (3) the credibility of the value indication(s) given current market trends as indicated by the analysis of supply and demand for similar property.
 - Note: Averaging the value indicators developed by each approach completed is not acceptable for reconciliation. The appraiser must state a logical and reasonable basis for his or her final value conclusion, which must be within the range of possible value developed by the approaches completed.

Appraisal Report Content Requirements (Form 1027A) – Exhibits and Addenda

- In addition to the foregoing data and analyses information, Exhibits and/or addenda are required in a Land Property Appraisal Report.
- Ag-America does not specify the type or style of the Appraisal Report (e.g., form or narrative). However, the report must meet USPAP requirements for an Appraisal Report and contain sufficient information for the intended users to understand the appraisal development process and the appraiser's support for the property and value conclusions. The substantive content of an Appraisal Report is the basis for determining its acceptability, not its volume or the sophistication of the analyses used to support the assignment results.
- Oral Appraisal Reports and Restricted Appraisal Reports are not acceptable for use in an Ag-America loan transaction.
- Ag-America may require an appraisal be documented in an Appraisal Report with substantially greater detail than the requirements stated in Standards Rule 2-2(a) of USPAP when, in the requesting party's judgment, the circumstances warrant that level of information detail.
- The "Appraisal Report Content Requirements" shown on the next three pages is provided as a guide for use when checking an Appraisal Report for content.

APPRAISAL REPORT CONTENT REQUIREMENTS

Level of Information Detail

- The information in the report must be specific to agricultural or rural setting property and mortgage financing. The report must be descriptive where necessary to ensure the user/reader of the Appraisal Report understands the subject's legal, physical and economic characteristics, its market and the appraiser's reasoning, logic, and analyses in support of the value of opinion and other assignment results.
- The sequence of information elements in this table is not necessarily the sequence an appraiser might use in an Appraisal Report.
- The report must include statements or summaries to identify:

INFORMATION ELEMENT	CONTENT REQUIREMENT
• Client	• The client’s identity must be stated (it cannot be anonymous, and cannot be “the borrower, property owner or their agent”)
• Intended Users	• Must include Ag-America/Farmer Mac and its agents or assigns”
• Intended Use	• Must include “agricultural property secured lending”
• Scope of Work	• Must include a summary of the extent of research, verification, and analyses completed by the appraiser
• Purpose of the appraisal	• Must state “Market Value”
• Date of Value	• Must be a “Current Date”
• Defined Value	• Must state “Market Value” as defined in Chapter CV101.1
• Assumptions Etc.	• Must reference and attach Form 1037
PROPERTY DATA	
• Location	• The property address and include, where possible, GPS reference
• Legal Description	• State the ownership interest and provide the physical and legal description
• Personal Property	• Provide a description. (Contact Ag-America for guidance)
• Legal Limitations	• Those that affect the property utility must be stated
• Physical Character	• Based on an on-site inspection (See detail for exceptions)
• Irrigation Information	• With location, capacity, quality, supply stability and economics detail (cost of supply, operation/maintenance, etc.)
• Drainage Information	• With location, performance, and economic impact information detail
• Property Use/ Econ.	• Summarize historical uses and economic productivity
• R.E. Tax/ Assessments	• Provide detail of assessments and tax amounts
MARKET ANALYSIS	
• Market Characteristics	• Geographic, demographic, and economic information sufficient for the reader to understand market conditions, market trends, supply/demand balance and competition, and the subjects location strengths and weaknesses
• Highest and Best Use	• Include income-producing capacity if any; if not income producing, say so and why
• Market Sales Data	• See chapter CV101.4 for criteria; include sales location map with each sale with GPS references (when available)
• Approaches to Value	<ul style="list-style-type: none"> • Each approach must consider the subject property as a unit. See limitations on use of built-up or value-by-summation method • Sales Comparison: Required on all appraisals if an Income approach is not completed • Income Approach: Required when the market’s response to the property is most consistent on the basis of its income producing capacity • Cost Approach: Required when structures and/or permanent planting improvements contribute significantly to value – does not apply to a Land Property
• Marketing History	• Covering age of oldest comparable market sale, if longer that
• Reconciliation	• Include statement of final value conclusion
• Time Periods	• Exposure time and marketing period differences reconciled
• Certification	• Content in compliance with USPAP
• Signatures	• Include appraiser’s state or territory Real Estate Appraisal license or certification number and license expiration date

ADDENDA	
• Maps (in color)	<ul style="list-style-type: none"> • Plat: Annotated with legal and physical access, etc. and adjacent land uses • Soils: With soil quality information stated or summarized • Hazard Area: Identifying Environmental and Flood Hazard areas as applicable • Permanent Plantings: Identifying blocks, with detail information in a table as applicable
• Sketches*	• When applicable, showing all dwellings with contributory value
• Photos* (Color)	• Showing access, land use areas, improvements, and permanent plantings
• Market Sales Location Map (in	• Showing all sales and the subject on one overview map
• Environmental Supplement	• Form 1010A or equivalent, signed by the applicant or the applicant's representative
• Irrigation and Drainage Information	• If applicable, Form 1013A or its equivalent
• Marketing Documents	• Copies of the purchase agreements, options, or similar marketing documents, (if the property is seller or on the market)
• Value Allocation*	• Allocate value conclusions to primary property components and include Cost New and REL for structures, permanent plantings and any personal property. See the table at the end of CV101.5
• Engagement Document	• Form 1023A Engagement Letter or an equivalent fully signed document (i.e., Client and Appraiser signed)

- *Applies to Improved Property Appraisal Reports only.
- Note: The sequence of information elements in this table is not necessarily the sequence an appraiser might use in an Appraisal Report.

CHAPTER CV101.5 FARM AND RANCH PROPERTY APPRAISAL REQUIREMENTS – IMPROVED PROPERTY

General Overview

- This Chapter CV101.5 provides guidance on the minimum scope of work requirement and minimum appraiser competence level that applies when the appraised property includes permanent plantings (orchard, vineyard, grove, etc.) or building improvements.
- In summary, Ag-America expects the appraiser's scope of work in an improved property appraisal to include the requirements stated in Chapter [CV101.4](#) plus, as a minimum:
 - An inspection of the plantings and/or building improvements that have significant contributory value,
 - Property research must result in a credible identification of the age, quality, and condition of the improvements, including the remaining economic life and utility/productivity of the improvements that have significant contributory value,
 - Development of a property highest and best use conclusion with the property "As Improved" and "As if Vacant" (i.e., as if not improved with the plantings and/or buildings),
 - Market research, including confirmation and verification of relevant "improved property comparable" market sales, and analyses of the improved property sales to develop and support a credible value conclusion, and
 - Documentation of the appraisal in a report that must include the physical and economic characteristics of the improved property, with sufficient information for the intended users to understand the appraisal development process and the appraiser's support for the property and value conclusions.
- The scope of work in the appraisal must be completed by a State Certified General R.E. Appraiser when the proposed security is not a rural residential use property.

- If the “As is” property is improved with an existing residence with significant contributory value AND the primary highest and best use of the proposed security is as a rural residential use property, the appraisal may be completed by a Certified Residential R.E. Appraiser.

Scope of Work

- The appraiser’s research and analyses in an improved property appraisal must include gathering, confirming and analyzing additional information about the improvements.

General Requirements for Building Improvements

- When the property includes building improvements, the appraiser is expected to identify and, to the degree possible, confirm the building age, quality, condition and functional utility in terms of its designed use and (if placed in to a different use) serviceability in the alternative use. The appraiser is expected to summarize in the report the improvement description(s) with sufficient detail for the reader to gain a clear understanding of their physical and economic characteristics.
 - Note: If the subject property is being used in a manner that does not comply with applicable zoning or use regulations, such as a property with an enterprise that requires a use permit, but no such permit has been obtained or such a permit could not be obtained, the market analysis must be based on the legally permitted property use, and the in-place enterprise must be disclosed in the Appraisal Report as part of the property use information.

Cost Approach

- The appraiser is expected to develop and report the result of a cost approach in the appraisal of a property with permanent planting or building improvements that have significant contributory value. Cost and depreciation estimates, and the site values in a cost approach must be based on market evidence, which must be cited and, to the degree necessary for a clear understanding, summarized in the report.

Dairy Properties

- In addition to identifying and summarizing in the report the characteristics of dairy use building and site improvements, the appraiser must, in the process of developing the highest and best use conclusion, identify the permitted capacity of the dairy and compare the total property (land and improvements) with the requirements or conditions of the permit.
- The operating design and resulting economics of the dairy must be reflected in the market analysis (sales comparison, cost, and income approaches), with the appraiser’s research and analysis expected to include consideration for input cost and output price trends in the market area of the dairy. A summary of the appraiser’s analysis of this information is required in the report.

If Property Use is Not a Legal Use

- If the existing dairy property use is not in compliance with applicable zoning or similar laws or regulations, the subject’s market analysis must be based on a legal use or the use for which a legal permit can be obtained.
- If the analysis is based on a legal permit being obtained, a change in applicable zoning or regulation, or a change in the subject property, that analysis is then based on an extraordinary assumption and/or a hypothetical condition, either of which may be used only with the third party investor’s prior written agreement.
 - As examples:
 - If property is a dairy operating at 1,000 head capacity but zoned and permitted for only 900 head, without the possibility of economically curing the cause of the capacity limitation, the property must be analyzed as a 900 head capacity dairy. This means that the market data used in the analysis, such as comparable dairy sales and rents, should also be analyzed on the permitted capacity of the sale or rent comparable properties. In such instances, the appraiser must address the functional super-adequacy in the analysis of the subject and any market sales used in each of the approaches completed.
 - If the subject property is a dairy that can be modified to comply with legal capacity limitations, such as by expansion of wastewater handling capacity or other support facilities, analyze and report a market value for the property both at its existing legal capacity (As Is – as of a current date of value) and at the capacity that is feasible and achievable by such modification (As If Modified – as of a current date of value) if that is how the market would respond to that property.

- The “As Is – as of a current date of value” analysis must address the operating and ownership expense impact on the existing property arising from the real estate tax, insurance, and maintenance costs associated with the improvements that exceed the legal capacity.
- The “As if Modified – as of a current date of value” analysis must be based on a hypothetical condition because the appraiser knows the actual legal capacity is less as of the current date. The hypothetical condition must be appropriate, clearly disclosed and its use explained. In such a situation, the market value of the property “As if Modified” must be supported by an economic feasibility analysis as well as market data, and stated as such in the Appraisal Report.
- The market analysis must also appropriately address the cost to cure the mismatch between the “As Is” legal capacity and the “As If Modified” capacity, such as the cost to establish increased wastewater handling capacity or acquire additional land. A prior written agreement from the third party investor is required for use of the hypothetical condition.
- If the property has improvements that are in use at a level that exceeds legally permitted capacity, with no feasible way to bring the property into legal compliance, state the rental or operating income those excess improvements produce separately in the report, and do not include the income from the excess improvements in the subject property’s income producing capacity information stated in the highest and best use or income approach Chapters of the report.
 - In this situation, provide a summary description of the improvements that exceed legal limitations in the report, but do not include them in the contributory value.
 - Further, if market research indicates the excess improvements are so onerous as to negatively affect the market appeal or to prompt abatement efforts by an agency of jurisdiction, address and report the removal cost (cost to cure) as part of the market analysis.
 - Note: The above examples also apply when the property is any type of facility operating above the legally permitted capacity of that facility.

Permanent Planting Improvements

- Farm and Ranch properties that have significant areas of permanent plantings often involve complex data and analysis issues, due primarily to the long productive life (10 years or more) and the cyclical nature of the market for the commodities produced.
 - Note: The appraiser is expected to gather and, to the degree practical, verify data regarding the physical and economic characteristics of the subject property’s permanent plantings.
- The appraiser is not expected to perform the functions of a title agent or title expert, particularly with regard to real or personal property rights related to permanent plantings.
- The appraiser is expected to report observed property conditions and, when the appraiser is not certain of the condition of title to the property appraised, use extraordinary assumptions following discussion with and obtaining written agreement for such use with the client.

Farmer Mac Form 1034 – Permanent Planting Data Summary

- Example illustrates the type of information that an appraiser is expected to gather and analyze when appraising a property with significant areas of permanent plantings. Appraisers may use other forms, such as forms of their own design, but the information gathered, analyzed, and reported must address all data elements that affect market value.
- Data, such as age of planting, varieties, historical production and prices received, and the capacity/age/condition of support elements (irrigation systems, trellis systems, etc.) must be verified or (if not verifiable) stated as an extraordinary assumption following discussion of the unconfirmed data with the appraiser’s client and obtaining the clients written agreement for use of that extraordinary assumption.
- All relevant physical and economic characteristics must be considered in the process of identifying the effective age of a planting and estimating its remaining economic life (REL). Demand and supply trends, as well as data specific to the property, must be analyzed and reported in support of the appraiser’s estimated REL.
 - Note: When the tree or vine has been grafted over to a different variety, the age of planting refers to the time since the tree or vine was planted, not the time since the plant was last grafted.
 - If production and income information obtained from the property owner or manager is not verified or confirmed, the appraiser may use an extraordinary assumption following discussion of the unconfirmed data with the appraiser’s client and obtaining the client’s written agreement for use of that extraordinary assumption.

- Historical production and income information for permanent plantings should, when available, cover the planting's productive age, but at a minimum must cover the most recent three-years for non-alternate bearing plantings or most recent four-years for alternate bearing plantings. If significant changes were made that affect the planting's productivity (such as in the irrigation system, cultural practices, soil amendments, or the like) during the period covered by the historical, data, those changes should be noted together with the data and the impact on production capacity explained.
- Commodity price cycles and current trends must be analyzed, and the analysis result reported together with current and foreseeable industry supply and demand conditions (including consideration for the relationship between bearing and non-bearing acreage and the productivity of new plantings versus that of older plantings). This is particularly important when analyzing sales used as price or capitalization rate comparables and in estimating the subject planting's REL.
- The commodity price period (years) analyzed must cover at least one complete cycle (high to low to high or low to high to low) plus the period following the most recent high or low. The appraiser is expected to consider the commodity cycle as well as current trend in the process of market analysis and when estimating the REL for a planting.
- When the commodity produced by the permanent planting is for the fresh market (e.g., tree fruit, table grapes, etc.), the appraiser's analysis of historical and foreseeable market supply/demand conditions and estimate of REL must reflect durability and variability of the consumer market's preference for the specific varieties produced. When handling a planting with a new variety in the market, the appraiser is expected to take into account past performance of the market when other similar varieties were newly introduced.

Reporting of Improved Property Value Conclusion Allocation

- The table on the following page illustrates the value allocation required in an Appraisal Report on an improved property. The allocation is needed to aid in underwriting decisions on such matters as loan term and property insurance requirements. The allocation table should appear in the report immediately following the final value conclusion statement.

<u>Allocation Table</u>			
<u>Contributory Value, Improvement's Cost New and Estimated Remaining Economic Life (REL)⁽¹⁾</u>			
	<u>Contributory</u>	<u>Imps. Cost New</u>	<u>REL</u>
Ag. Use Improved Land (not including Permanent Plantings)	\$XXXXXXX ⁽²⁾		
Permanent Plantings' Component	\$XXXXXXX ⁽³⁾	\$XXXXXXXX	XX
Homesite (Incl. site imps; well, septic, etc.)	\$XXXXXXX	\$XXXXXXXX	—
Sub-Total (LAND)	\$XXXXXXX	\$XXXXXXXX	XX
Agricultural Use Structural Improvements'	\$XXXXXXX ⁽⁴⁾	\$XXXXXXXX	XX
Residence Use Structures (dwelling(s), etc.)	\$XXXXXXX	\$XXXXXXXX	XX
Sub-Total (IMPROVEMENTS)	\$XXXXXXX	\$XXXXXXXX	XX
Agricultural Use Equipment Components	\$XXXXXXX ⁽⁵⁾	\$XXXXXXXX	XX

Allocation Table Notes

- (1) This information is needed for use in underwriting and deciding on loan terms and conditions. This information is only an allocation that is based on the appraiser's analysis of the property, and is not used as an indication of separately marketable value for the property components.
- (2) If the land component includes irrigated land, include the irrigation improvements that are real estate and real fixtures (e.g., wells, well pumps, and motors permanently or semi permanently attached to the earth such that the removal of the component would significantly alter the highest and best use of the land). If the land use areas have significantly different contributory value per acre, include a statement of the contributory value per acre of land use by primary land use category. Do not include permanent plantings.
- (3) Include the permanent planting component any climate control fixtures (wind machines) and the distribution components if drip or micro-sprinkler systems designed to serve the permanent plantings, including any filtration and pressurizing stations but excluding the well and the well pump and motor, and any trellis systems as part of the permanent planting component. The Cost New should include all capital

and cultural expense, except the land and water supply, from land conditioning through the year prior to when the planting achieves positive net income.

- (4) Provide a separate contributory value statement for each structure with contributory value.
- (5) Include here the contributory value of any equipment that is soft-mounted to structures or land and necessary for operation of the property under its highest and best use, such as pivot systems (from the pivot head), wheel line irrigation distribution systems, dairy milk handling equipment and milk tanks, commodity handling or storage units, etc., if those items were included in the subject property of the appraisal.
 - o Do not include portable equipment or intangible assets in the total property value or in this allocation unless such property is included in the appraisal, such as when a property is appraised as an operating unit or as a going concern. In such case, state the value of that property separately in the final value conclusion and provide a detailed explanation as to what is included in that property and how the market value for the real property would be affected in the absence of those items of portable equipment of intangible assets.

CHAPTER CV101.6 SPECIALIZED PRODUCTION AGRICULTURAL FACILITY APPRAISALS

- Chapter 205 of the Ag-America Guide contains the credit guidelines for Specialized Production Agricultural Facilities (Facilities).
- This Chapter CV101.6 contains the Ag-America Standards and Guides for an appraisal of a Facility. The appraisal development and reporting requirements stated in this Chapter are in addition to those stated for appraisals in Chapter [CV101.5](#), and in Guide Chapter 205.

Definitions

- For the purpose of these requirements, the following definitions apply:
 - *Facility* is a property that has or is proposed to have agricultural production and processing use structures, fixtures, facility site improvements, and tangible personal property necessary for continued use of the facility under its highest and best use that, in combination, contribute more than 60 percent to total property value.
 - *Facility Appraiser* is an individual who meets all of the qualifications of an Appraiser and who has demonstrated competency to the Lender in the appraisal of a facility properties similar to the subject property in a proposed assignment, with the third party investor's prior-approval.

Property Identification

- The subject property in a Facility Appraisal may include all of the real estate, real estate fixtures, facility site improvements, and tangible personal property items and components that are necessary for continued use of the property under its highest and best use, but must not include the business enterprise (going-concern) itself.
 - Note: Given the complexity associated with the types of property involved in a Facility that includes personal property in addition to real estate and real estate fixtures, the Originator or Lender should contact Ag-America to discuss the situation before engaging the appraiser.
- If the property is leased to non-affiliated parties, the analysis can be of a leased fee interest, appropriately developed and supported with market rented sale comparables.

Market Identification and Analyses

- The market for a Facility must be identified and that identification summarized in the Appraisal Report in terms of its dollar volume and property population, property turnover rate, and typical conditions of sale over a time period that reflects a complete industry supply/demand cycle. The information coverage must be consistent with the market of the subject (e.g., national level data and information analysis would be expected when the property is a national scale property or regional level data and information analysis when the property's market is regional).

Economic Analysis

- The appraiser must complete research and analysis of industry-specific economic information to determine the desirability of varieties grown or commodity produced, marketing conditions and the remaining economic life of the facility, and report on the current economic feasibility and viability of the subject property and its highest and best use, As Is.
- The analysis must be completed from the perspective of participants in the industry and market in which the subject property competes.
- Subject property owner/operator source historical production and economic data, or forecasts, must be analyzed and the result included in the subject's highest and best use analysis and the market analysis, but not given preference over other relevant data in those analyses.
- The economic analysis must include data to define the source(s) of facility inputs and the market for facility output, together with the competitive economic conditions in the market for the commodity throughput of the Facility, with the result summarized in the Appraisal Report.

Facility Appraisal Report Content Requirements

- A Facility Appraisal Report must comply with the report type and content requirements stated in Chapter [CV101.4](#) for a Summary Appraisal Report.
- The allocation of Final Value Conclusion information in a Facility Appraisal Report must contain sufficient detail to distinguish the contributory value of each primary structure in the facility (e.g., in a dairy, Milk Barn, Commodity Storage, etc.).
 - Note: Due to the specialized use inherent in such properties, the appraiser is expected to identify and clearly state the conditions under which the market analysis and value conclusion applies.
- For example, when a facility has economic demand only when it is a contributing part of an operating business unit that is, itself, a going concern, but has much less market demand if the in-place business unit is not viable, the appraiser must clearly state that the value is supported by the presence of an economically viable operating business unit and would not be supported in its absence. The appraiser must also state the most probable alternative highest and best use for the facility (land, structures, fixtures, and personal property components) in the absence of an economically viable operating business unit. This kind of information is essential for informed underwriting.

CHAPTER CV101.6.1 COLLATERAL VALUATION OF FORESTLAND REQUIREMENTS

- The following standards and guides, which are in addition to those in Chapters [CV101.1](#) – [CV101.6](#), apply when proposed security ('subject property') includes significant value contribution from forestland. Major timber producing regions of the United States include the northeast, southeast, Gulf States, Great Lakes region, Rocky Mountains, and the Pacific Northwest. Each region has characteristics that differ from the other regions, and subsequently, the forest products and timber markets differ as well. Each of these areas exhibit the types of forestland noted below.

Commercial Forestland

- The Highest and Best use of the property is the production of timber over the life of the loan.

Transition Forestland

- The previous Highest and Best Use was timber production, but has changed to include significant value contribution from recreation, hunting, fishing or other uses (not sustained timber production). While timber production continues, it contributes less than 25% to the total property value.
- When the highest and best use of the proposed security that once was forestland no longer includes a significant value contribution from timber harvest (the value contribution from timber or woodland is less than 10% of total property value), the proposed security is considered 'Former Forestland'. As such, the current highest and best use does not include significant areas of timber production.
- Some such properties involve other uses including a conservation easement or other preservation-related encumbrance(s) under which timber harvest may only allow managed cuts to maintain a healthy forest. When

the proposed security is Former Forestland, the appraisal may be completed by a State Certified General Appraiser with experience valuing similar property sufficient to comply with the Competency Rule in USPAP.

- Note: For the purposes of this section, “Timber” includes trees grown for harvest and use as pulp wood, dimension lumber, or hardwood.

General Forestland Appraisal Requirements

- When the proposed security is a Commercial Forest property, the state certified General R.E. Appraiser must also be a registered forester and the appraisal must include a timber cruise, or integrate in the appraisal a timber cruise-based valuation by a registered forester supporting the timber contribution. Also, the appraiser must have experience specifically in valuing Commercial Timberland sufficient to comply with the Competency Rule in USPAP.
- When the proposed security is a Transitional Forest property, the appraisal may be completed by a state certified general appraisal with sufficient experience specifically in valuing timber to comply with the Competency Rule in USPAP – While a timber cruise by a registered forester is not always required, if such a timber cruise is not included in the appraisal report the timber contribution must be supported by analysis of similar property sales (i.e., the comparable sales must include properties with and without similar timber).
- If the market analysis for either type of forest land or the timber contribution includes a discounted cash flow (DCF) analysis, the discount rate or yield rate applied in the DCF must be supported by analysis of market sales of timber or forestland property. A built-up rate or a rate based on analysis of data from non-forestland use property is not acceptable.

COMMERCIAL AND TRANSITIONAL FORESTLAND APPRAISAL REPORT CONTENT REQUIREMENTS

Commercial Forestland

- A well-documented timber cruise must be included in the appraisal report. The timber cruise must have maps/aerial photos locating all timber lots, species and volumes of timber, with growth rates and the basis for the timber value estimates in the cruise report. The timber volumes must be broken down in merchantable and per-merchantable (if applicable), and wetland areas and other non-timber land use must be shown on the exhibits;
- The forest land road systems, access points, water-frontage, and conservation easements if any must be described. Any areas not suitable or economic for harvest also must be noted (e.g., wetland or steep terrain);
- A Silviculture plan needs to be in place for management of the forest with a cutting or harvest and replanting plans that has been approved by the local, state or federal agency or agencies of jurisdiction. It should include an assessment of disease, insect damage and other hazard risks on the collateral.
 - (Silviculture is the art and science of management the establishment, growth, composition and quality of forest vegetation for the full range of forest resource objectives. Or more simply, it can be thought of as the art and science of growing trees for a purpose.)

Transition Forestland

- A well-documented timber cruise that establishes the location of the timber as well as the volume and market value, must be included in the appraisal report or the appraiser may present sales or comparable properties with analyses to support the timber contribution;
- The transitional forestland road systems, access points, water-frontage, conservation easement encumbered areas (if any) must be described and illustrated on exhibits. Any areas not suitable or economic for harvest must be noted (e.g., wetland or steep terrain) and other land use areas must be identified (e.g., rural residence/estate sites, other crop production area, etc.);
- A defined and approved cutting or harvest plan, if such a plan is required by the local, state or federal agency or agencies of jurisdiction must be included in the appraisal report.

Special Purpose Timber-related Facilities (Saw Mills, Pulp Mills, etc.)

- If the proposed security includes a timber-related facility, the requirements in [CV101.6](#) apply.
- The value contribution of the Fixtures, Furnishings, and Equipment (FF&E) in such a facility must be supported by an appraisal of those components by a person property appraiser performing the appraisal in compliance

with the Competency Rule in USPAP, with the contributory value of the FF&E based on 'Market Value in Use/in Place' as part of the value of the operating facility. In certain cases, Ag-America may also require a 'Market Value' under other defined conditions (e.g., uninstalled, in yard – in bulk).

- Contact Ag-America for guidance prior to obtaining an appraisal involving timber-related facilities.

CHAPTER CV101.7 COLLATERAL VALUATION ACCEPTANCE, APPRAISAL REVIEWS AND PERFORMANCE

General

- Effective use of the selection and engagement process, and the appraiser's best efforts should result in collateral valuation information suitable for use in underwriting and servicing actions.
- The following applies to Farm and Ranch and Specialized Production Agricultural Facility-related loan transactions.

Collateral Valuation Acceptance

- The purpose of the acceptance process is to ensure that the Appraisal Report contains information that is necessary and suitable for use in underwriting and conforms to the users' requirements.
- The Originator is to provide the original of the Appraisal Report (electronically, when available in that media), and a copy of the document reflecting the acceptance of said appraisal in the loan file.
- The third party designee/service provider performs the final "Acceptance" element of the collateral valuation function for Farm and Ranch and Specialized Production Agricultural Facility loan products.
- Upon completion of the final acceptance process, the third party designee/service provider will advise of the acceptance of the report or of any conditions that must be met and resolved prior to closing.

Appraisal Review

- The Originator is responsible for obtaining an Appraisal Review when required as a condition of the Appraisal Report Acceptance.
- The purpose of the Appraisal Review is to test and confirm whether the collateral valuation information provided in an Appraisal Report is suitable for use in an Ag-America loan.
- Ag-America may, in its sole discretion, based on its experience with the collateral valuation performance, require appraisal reviews prior to initial submittal of an appraisal at Ag-America-specified levels and/or frequencies. When applicable, Ag-America will communicate such a requirement to the Originator.

Minimum Appraisal Review Competency and Scope of Work (Farm and Ranch and Specialized Production Agricultural Facility Property)

- Appraisal reviews completed by the Lender, or entity acting on its behalf, must comply with Standard 3 of USPAP. The appraiser performing the appraisal review must comply with the Competency Rule in USPAP.
 - Note: In this context, competency does not mean the review has state or territory license or certification in the locality of the property involved.
 - The reviewer's scope of work in an individual appraisal review will, at a minimum, include a complete reading of the Appraisal Report, determining whether the analyses used by the appraiser were appropriate and correctly completed (without verification of the data used or additional data research), and whether the value reported was adequately supported.
 - If the findings in the initial appraisal review indicate the need, the scope of work in the review should be elevated to include additional data research and verification (with or without field inspection), and may be extended to include having the appraisal review develop his or her own opinion of value.

Ag-America or Third Party Investor Acceptance

- The **third** party investor may elect not to rely on the in an Appraisal Report or Appraisal Review and, instead, may require that a substitute collateral valuation acceptable be provided to the third party investor, without cost to investor.
- Appraisal Reviews on Appraisals Obtained by a Third Party:
 - An Appraisal completed by an appraiser engaged by a third-party may be submitted for Ag-America's acceptance only after confirmation that the appraisal meets the conditions stated for use of a third-party

obtained appraisal and provides the certification statement as described in [CV101.2](#). Ag-America may require an Appraisal Review of the third-party source appraisal prior to submittal of the appraisal to the third party investor.

Performance

- Ag-America expects the appraiser's past performance as a factor in determining suitability for new assignments. The data on the national registry maintained by the Appraisal Sub-Committee (ASC), together with the Lender's own experience, shall be taken into account before engaging an appraiser in an assignment.
 - Note: Ag-America Farm and Ranch Program Appraisal Report Form Content Requirements have been outlined within the contents of this Guide.

CHAPTER CV101.8 COLLATERAL VALUATION UPDATES

General

- The requirement for a collateral valuation update differs according to the type of transaction involved. Contact Ag-America for guidance, as applicable.

CHAPTER CV101.9 COLLATERAL VALUATION FORMS

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.

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.
- Ag-America 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.
- Appraisal reports can be composed in a narrative style or format, or by use of standardized form sets, and the assumptions and limiting conditions in such 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, Ag-America has identified a set of Assumptions and Limiting Conditions that are accepted as normal in an appraisal submitted for use in an Ag-America loan.
- Ag-America 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, Ag-America has established a process whereby the client and appraiser can add to Ag-America's standard assumptions and limiting conditions, as circumstances require.
- Ag-America requires that the client/originator 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/originator and the appraiser or by the client/originator's written documented 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 an Ag-America Farm and Ranch or Specialized Production Agricultural Facility property loan are those shown in Farmer Mac Form 1037.
- A copy of the Assumptions and Limiting Conditions statement (Farmer Mac Form 1037) is available as an electronic file directly from Farmer Mac at its website (www.farmermac.com) in the Collateral Valuation section.

REPORT EXHIBITS

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:
 - Location Map Exhibit and global Positioning system (GPS) references;
 - Advances in technology have made using GPS references practical in commerce. The use of a GPS reference to identify a property location is but a small part of the benefit GPS references can provide. A much bigger part is the ability to associate relevant economic, demographic, and physical/political data by use of Geographical Information Systems (GIS).
 - Both GPS and GIS are evolving tools in many areas of commerce. While the performance of GPS hardware and software is expected to improve, the accuracy of current systems in a range of 3 to 5 meters (approximately 10 to 50 feet) is adequate for most applications, including collateral valuation work.
 - 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](#) as a convenient source for the GPS reference that is available to the public.
 - 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.
 1. 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.
 2. 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.

FARM AND RANCH AND SPECIALIZED PRODUCTION AGRICULTURAL FACILITY PROPERTY COLLATERAL VALUATION REPORT FORMS

Overview

- These comment and guidance notes are provided to assist Originators, Lenders 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 Ag-America requires in certain situations. Some forms are required only when certain property conditions exist.
 1. All information requested in the three following Farmer Mac forms is required in all appraisal reports. In each case, an equivalent form may be used subject to prior approval by the third party investor.

- Form 1010A *Environmental Disclosure* (a one-page form), or an equivalent disclosure form
- Form 1023A *Sample Fee Appraiser Engagement Letter* (a two-page form), or an equivalent engagement document
- Form 1037 *Assumptions and Limiting Conditions* (a two-page form), or an equivalent document
- **Required in an Appraisal Report** when the property includes irrigation or drainage conditions that affect value
 - Form 1013A *Irrigation and Drainage Supplement* (a two-page form) (Equivalent forms are acceptable)
- **Sample and Example forms (Use of these forms is optional)**
 - Form 1027A *Appraisal Report Content Requirements* (a two-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 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)
- 2. Obtaining Electronic Versions of Collateral Valuation Report Forms
 - Forms are available on the Farmer Mac website at www.farmermac.com/Lenders/CV.
 - Lenders and other users of the collateral valuation forms should check the website to confirm that they are using the current form version.
 - Forms 1023A, 1027A, 1034, 1035, 1036, and 1037 are available as file downloads in the Collateral valuation section of the Farmer Mac website www.farmermac.com/Lenders/CV.
- **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 Lender and in other cases the party is the originator acting on behalf of and under contract with the Lender or Ag-America.
 - Whichever party (originator, lender or Ag-America) engages the appraiser in an appraisal assignment is identified as the appraiser’s Client. Others, such as Ag-America and Farmer Mac, are called intended users of the appraisal. These distinctions are important because they affect the appraiser’s obligations to the Client/Oriinator 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. Contact Ag-America for prior approval.
- **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 observes 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.
 - 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 two-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 or Lender may use this form or an equivalent form to engage an appraiser.
- If the loan originator or Lender 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 show 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 1023 (or its equivalent) to the originator to document the appraiser’s acceptance of the assignment.
- The appraiser also includes a copy of that 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 1037 – Assumptions and Limiting Conditions (a two-page form)**
 - **Requirement** – This form (or equivalent form approved by Ag-America) is a required part of all appraisal reports.
 - **Purpose** – This form establishes a consistent set of “Assumptions and Limiting Conditions” that Ag-America 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 in Item 18.
- **Form 1013A – Irrigation and Drainage Supplement (a two-page form)**
 - **Requirement** – This form (or equivalent 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 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 1013A information was available to the appraiser.
 - **Completed By** – The property owner or loan applicant completes this form. The originator/lender 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 Ag-America 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.
 - **Completed by** – The appraiser completes these forms, as applicable.