

Engagement Letter

To: Appraiser	From: Lender Name	For: Applicant/Borrower
Issue Date: Date	Due Date: Date	Fee: Negotiated Price
Intended use (check the box) <input type="checkbox"/> Loan making, <input type="checkbox"/> primary loans servicing, <input type="checkbox"/> partial release, <input type="checkbox"/> shared appreciation recapture, <input type="checkbox"/> foreclosure, <input type="checkbox"/> bankruptcy, or <input type="checkbox"/> other describe .		

Objective and Business Relationship: Our objective is to obtain impartial and reliable information about the property to be appraised and opinion of the Market Value for use in **Lenders Name** loan making or loan servicing actions. Upon acceptance of this assignment, **Lenders Name** is your Client. Your work in this assignment is as an independent contractor and not as an employee of the **Lenders Name**.

Subject Property Identification and Information:

1. **Legal Description:** Insert fully written legal description (no abbreviations) see below, and/or cite any attached title reports, lists of personal property to be included, purchase agreements, surveys, maps, etc. that are appropriate and available. If separate values are needed for separate tracts, please advise.
2. **Rights Appraised:** Fee simple - subject to sight inspections and easements, restrictions and RESERVATIONS of record, leased fee, leasehold, etc. (Please disclose details of any situations that involve partial interests, life estates, CRP contracts, etc.) Mineral rights must be included. If the property is producing oil, gas, gravel or other minerals please consult with **Lenders Name** to agree on an acceptable methodology and reporting format at the beginning of the appraisal process.
3. **Access and Communications:** Access to the property and information regarding its use, productivity, and history is available from **Borrower/Owner/Tenant/Agent/Manager**, who can be contacted at **telephone number**. Please advise us if you encounter unforeseen problems, such as difficulty in making access arrangements or obtaining necessary property information.
4. **Condition of Property:** Appraise the property "as is" or "as improved" None of the approaches to value will be excluded unless prior approval from FSA (Appraisal Specialist). (If the property is to be appraised in the "as improved", the Lender must order the appraisal under the specific hypothetical condition, i.e., appraise under the hypothetical condition that the subject property is irrigated with a new well, power unit and pivot, or appraise under the hypothetical condition the grain bin and machinery storage building has been constructed attach plans, specifications, cost estimates, etc. so the appraiser can identify the conditions in the scope and character of the improvements.)
5. **Intended Users:** **Lenders Name** and Farm Service Agency is the intended users of your assignment results. We may, without your prior authorization or a notice to you, provide your report to other parties for their use in lending-related activities.

General Assignment Conditions:

1. **Delivery Date:** Your appraisal report shall be delivered to [Lenders Name](#) on or before [Delivery Date](#).
2. **Original and Copies:** The original appraisal is to be delivered to the [Lenders Name](#) at [Lenders Address](#)
3. **Fee:** The fee for appraisal services rendered, payable upon our acceptance of your report, shall be \$ [Price](#)
4. **Expert Witness Testimony:** In the event that the appraiser/contractor is needed to present testimony at a hearing or legal proceeding, the appraiser/contractor agrees to provide such services for the hourly rate of \$ [Price](#) per hour.

General Appraisal Assignment Requirements:

1. **Type of Appraisal Requested:** All appraisals must comply with the current edition of the Uniform Standards of Professional Appraisal Practice.
2. **Type of License:** The contracted Appraiser must be a current State of Nebraska Certified General Real Estate Appraiser, or hold a valid reciprocity certificate issued by the State of Nebraska as a Certified General Real Property Appraiser.
3. **Type of Report Required:** Self-Contained Appraisal Report or a Summary Appraisal Report.
4. **Type of Format Required:** Either the Uniform Agricultural Appraisal Report (UAAR) or a Narrative Report is acceptable. The use of FSA-2061 "Appraisal Report – Agricultural Tract" is also acceptable if properly supplemented to comply with USPAP. Delivery by electronic media (pdf file), with secure electronic signature, may be possible if acceptable to [Lenders Name](#) and Farm Service Agency.
5. **Highest and Best Use:** If through research, the Highest and Best Use is determined to be a Rural Residential Acreage, then a Uniform Residential Appraisal Report (URAR) or the General Purpose Appraisal Report (GPAR) is acceptable.
6. **Photographs - Subject:** Interior photographs of the subject dwelling is mandatory if contributing value, e.g., kitchen, baths, beds, living, furnace, electrical box, water heater and all others areas that are market supported. Exterior photos of subject dwelling, showing all sides is required. Additional photos of subject's outbuildings are required. Additional exterior or interior photographs of outbuildings are encouraged to support appraiser's findings of positive and negative indices. Photos must be described as to view and directional documentation.
7. **Engagement, Compensation and Personal Interest:** If the appraiser has a direct or indirect interest, financial or otherwise, in the property appraised or with regard to the parties involved in the assignment, please return this package to us and do not proceed with the assignment.
8. **Competency:** Your engagement in this assignment is predicated on you being able to personally complete it in compliance with the assignment requirements. If at any time in the course of this assignment you find that you will not be able to comply with the Competency Rule in USPAP, please contact [Loan Officers Name](#) immediately and do not proceed with any further effort in this assignment until we have discussed the matter.

9. **Jurisdictional Exception:** If the Appraiser perceives that USPAP's Jurisdictional Exception Rule should be invoked to meet certain standards in USPAP, the Appraiser must contact [Loan Officers Name](#) to obtain prior written approval.
10. The Appraiser's Scope-of-Work must result in a credible assignment results for the intended use. USPAP 2-1 states that each written real property appraisal must: (a) clearly and accurately set forth in a manner that will not be misleading; and (b) contain sufficient information to enable the intended users of the appraisal to understand the report properly. Every appraisal report is subject to review by the Farm Service Agency.
11. The appraiser must make a personal inspection of the subject property and all of the comparable market properties used in the analysis unless specific arrangements to the contrary or extenuating circumstances exist, contact [Loan Officers Name](#) prior to the commencement of the assignment.
12. The [Lenders Name](#) will not normally accept custody of confidential information. Should the Appraiser find it necessary to rely on confidential information, he or she will contact [Loan Officers Name](#) for instructions. [Loan Officers Name](#) will view the information and provide further instruction to the Appraiser regarding handling and storage of the confidential information.
13. Appraiser's Qualifications will be attached to the appraisal and will include contact information, i.e. phone, fax, cell, email, and mailing address.

Supplemental Requirements: In addition to meeting the Uniform Standards of Professional Appraisal Practices (USPAP) requirements for an appraisal reported in Self-Contained or a Summary Appraisal Report, the following Supplemental Standards are required. If the appraiser/contractor believes deviation from these requirements is necessary, it must be discussed and documented by written approval from the [Loan Officers Name](#) as early in the process as possible.

1. The appraisal must include a complete description of the subject property, including legal description, aerial photo, soil map(s), with the property boundaries clearly identified. A complete description of any personal property or fixtures will be included. The manufacturer, model, size, year, serial number, condition, etc. of any personal property or fixtures must be reported when possible.
2. The subject property legal description will be written in full without abbreviations, or the report's page referenced where it is found. Legal descriptions that are problematic are to be referenced under a specific extraordinary assumption and/or hypothetical condition. Report inclusion and discussion is required of all easement, restrictions and reservations of record.
3. The report will not be accepted with abbreviations or acronyms without first spelling out the entire word(s) followed by the abbreviation/acronym; example: [Lenders Name](#) ([Lenders abbreviation or acronyms](#)) or Soil Rating for Plant Growth (SRPG). Then, "[Lenders abbreviation or acronyms](#)" or "SRPG" can be used in the remainder of the report without further explanation.
4. The appraisal must include acceptable appraisal methodology on the development and analysis of how the comparable sale land values are determined with supporting documentation attached, if applicable, and its relationship to the subject property.
5. The Sales Comparison Approach must use direct sale comparison techniques, where the subject and each sale used are compared on a "head to head" basis. The Sales Comparison's indicated range of values will be logically discussed and reconciled into a conclusion by this process.
6. Other adjustments, in the Sales Comparison Approach, must be supported by the market or reasoning that is logical and justified by the market.

7. The appraisal must include all calculations showing how the land mix adjustments were determined. **ALL** calculations and discussion must be included in the report to help explain, clarify, and justify the appraiser's reasoning, opinion and conclusions.
8. The appraisal must provide a logical explanation or adequate reasoning for any other market supported adjustments used in the direct sale comparison.
9. State any identified issues/controversies. Should controversies or issues be identified by the Appraiser during the course of the assignment, **Loan Officers Name** should be immediately notified.
10. If any acreage discrepancy is discovered on the subject property or comparable sales, it will be discussed and reconciled.
11. **ALL** approaches to value will include a display grid and adequate discussion to reflect the comparable sales superior or inferior comparableness to the subject.
12. In the reconciliation process, explain the strengths and weakness/deficiencies of the approaches.
13. Upon reaching a final conclusion of value, all contribution will be allocated and separately displayed i.e., land, dwelling, detached garages, machine storage buildings, other miscellaneous outbuildings/structural improvements and irrigation equipment.
14. The appraisal must contain complete information for all sales used in the direct sales comparison. This information must include legal description, recorded book and page number verification, buyer and seller, verification method, allocation of value between the land types and all significant improvements, income and capitalization rate calculations, aerial photo and soil map(s) with property boundaries clearly identified, comparable sales map, and photos of improvements that contribute significant value.
15. ALL maps will be labeled and a north arrow affixed.
16. Comparable sale verification will also include the person's name, phone number and relationship to transaction.
17. The subject's last recorded deed, survey, plat or other legal documents identifying current ownership, legal description, or influential factors, i.e. flood maps, zoning, will be attached.
18. A fully completed purchase agreement will be attached, if applicable.
19. A Summary of Salient Facts and Index will be placed at the beginning of each report or be attached to the Letter of Transmittal. **All pages of the report, including the addendum, will be numbered.**
20. Date of Value: Synonymous with the date of last property inspection: which must be no later than 21 calendar days prior to the submission of the completed appraisal report, unless the appraiser receives written approval from the **Loan Officers Name** prior to preparation of the appraisal report.
21. The opinion of current market value may not be predicated upon potential highest and best uses that are speculative or conjectural. A proposed highest and best use requires showing reasonable probability that the land is both physically adaptable for such use, there is an economic need or demand for such use in the reasonable near future, and a strong discussion to support the highest and best use determination.
22. When minerals are present that are determined to have market value, mineral rights and their value will be addressed within the appraisal report. Development, analysis, and techniques utilized to extract the mineral rights will be included to support the appraiser's conclusion.

When the value of mineral rights cannot be determined by the appraiser, the appraisal report will include **language** to specify that it includes any mineral rights of the subject property. The following are examples to address this issue: the determination of mineral rights value is neither positive or negatively influenced by the market when based on a paired sales analysis on land with or without this right; inconclusive evidence is found in the market for the appraiser to determine a mineral rights value, and if, a mineral rights value does exist, it runs with the land, or the following language may be used;

“The precise value of mineral interest in existence, as well as the economic feasibility to extract minerals from the subject property, or any anticipated future annual production or income from the production of minerals is unknown to the appraiser. This appraisal is not an exhaustive study of the actual or potential mineral production, and is based on the best information available as of the effective date of the appraisal. The final opinion of value in the appraisal report includes mineral rights of the subject property.”

23. The Engagement Letter and its attachments must be fully completed and will be attached in the Addenda.
24. Using the subject property’s pending sale as a comparable is prohibited

Appraisal Review and Acceptance:

1. **Acceptance Audit:** The appraisal report will be reviewed for compliance with the terms of this Engagement Letter and will be reviewed administratively. Findings of inadequacy, if any, will require clarification and/or correction to the report.
2. **Appraisal Review:** As a part of our collateral valuation quality assurance effort, appraisal reports are subject to a technical review completed in accordance with Standard 3 of USPAP. [Lenders Name](#) and Farm Service Agency may also select some appraisals for Field Reviews.
3. **Payment of the Appraisal Fee:** After acceptance of the appraisal, the fee will be processed. The fee will be paid approximately [#of days](#) days from the date of acceptance in accordance with the Prompt Payment Act.
4. **Subsequent Requests:** You may be contacted to provide responses to questions resulting from our reading or review of your report. By accepting this assignment, you agree to respond promptly to our subsequent requests. When the cause of our subsequent request is a deficiency in your appraisal or report that was under your control, you agree to cure that deficiency promptly without cost to us.

Engagement and Assignment Contract Acceptance Signatures:

I/We agree to the terms of the assignment stated in this engagement letter.

_____ Date: _____
Signature of [Loan Officers Name](#)

_____ Date: _____
Signature of [Appraiser](#)

Attachments: [Surveys, Purchase Agreements, Title Opinion, Development Plan, List of Irrigation Equipment, Leases, CRP Contracts, Conservation Plans, Easements, etc.](#)