

**Rural Housing Service, USDA**

**§ 3560.800**

- (ii) Factual information about the property;
  - (iii) Regional and neighborhood data;
  - (iv) Description of the subject property;
  - (v) Description of existing and planned improvements;
  - (vi) A highest and best use analysis;
  - (vii) A statement regarding any environmental issues, such as potential contamination of the property from hazardous substances, hazardous wastes, or petroleum products;
  - (viii) A cost approach analysis (if applicable);
  - (ix) A sales comparison approach analysis (if applicable);
  - (x) An income approach analysis (if applicable);
  - (xi) A reconciliation of the value indications derived from the included approaches to value; and
  - (xii) A signed and dated certification of value.
- (3) At the time an appraisal is requested, the Agency will specify either a complete or a limited appraisal and one of the following types of appraisal reports, based upon the complexity of the appraisal assignment.
- (i) A self-contained report that comprehensively describes all information significant to the solution of the appraisal problem;
  - (ii) A summary report that summarizes all information significant to the solution of the appraisal problem; or
  - (iii) A restricted use report, intended for Agency use only, that briefly states all information significant to the solution of the appraisal problem.
- (d) *Highest and best use statement and analysis.* The highest and best use is to be concluded for the subject site as though it was vacant, and for the subject property as improved, if improvements have been made. If the highest and best use of a subject property is for something other than MFH, the appraisal report must provide this information to the Agency for consideration in the loan process. In addition to being reasonably probable and appropriately supported, the highest and best use of both the land as though vacant and the property as improved must meet four implicit criteria. The highest and best use must be:
- (1) Physically possible;

- (2) Legally permissible;
  - (3) Financially feasible; and
  - (4) Maximally productive.
- (e) *Valuation methods and variances.* The final opinion of value presented in an appraisal report must have considered a cost approach, a sales comparison approach, and an income approach. If one of these standard approaches is not used, the reconciliation narrative will provide a full and complete explanation of the reasons the approach was excluded. The reconciliation will fully discuss and reconcile variances in the value indications concluded by each approach.
- (f) *Real estate history.* Appraisals must contain a 5-year ownership and sales history for the housing project being appraised.
- (g) *Reserve accounts.* Funds in the housing project's reserve account will not be considered in the valuation of the housing project.
- (h) *Escrow accounts.* Short-term prepaid escrow accounts for general operating expenses, such as taxes and insurance, shall not be considered in the valuation of the housing project.
- (i) *Rental rates comparison.* The appraisal report must document whether the housing project's basic rents are less than, equal to, or greater than market rents for comparable conventional, or non-subsidized, units in the area where the housing is located.
- (j) *Description of housing and property rights.* The appraisal report must identify and describe both the real estate, which is the land and improvements, and the real property, or property rights, being appraised.
- (k) *Exclusion of rental units from valuation.* The Agency will provide appraisers with instructions and supporting information on any rental units that do not produce rental income at the time of the appraisal.
- (1) *Non-contiguous sites.* When a housing project has real property located on non-contiguous sites, a separate appraisal must be developed for each site.

**§§ 3560.754–3560.799 [Reserved]**

**§ 3560.800 OMB control number.**

The information collection requirements contained in this regulation have been approved by the Office of

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Management and Budget (OMB) and have been assigned OMB control number 0575–0189. Public reporting burden for this collection of information is estimated to vary from 15 minutes to 18 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. A person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

**PART 3565—GUARANTEED RURAL RENTAL HOUSING PROGRAM**

**Subpart A—General Provisions**

- Sec.
- 3565.1 Purpose.
- 3565.2 Applicability and authority.
- 3565.3 Definitions.
- 3565.4 Availability of assistance.
- 3565.5 Ranking and selection criteria.
- 3565.6 Inclusion of tax-exempt debt.
- 3565.7 Agency environmental requirements.
- 3565.8 Civil rights compliance.
- 3565.9 Compliance with federal requirements.
- 3565.10 Conflict of interest.
- 3565.11–3565.12 [Reserved]
- 3565.13 Exception authority.
- 3565.14 Review and appeals.
- 3565.15 Oversight and monitoring.
- 3565.16 [Reserved]
- 3565.17 Demonstration programs.
- 3565.18–3565.49 [Reserved]
- 3565.50 OMB control number.

**Subpart B—Guarantee Requirements**

- 3565.51 Eligible loans and advances.
- 3565.52 Conditions of guarantee.
- 3565.53 Guarantee fees.
- 3565.54 Transferability of the guarantee.
- 3565.55 Participation loans.
- 3565.56 Suspension or termination of loan guarantee agreement.
- 3565.57 Modification, extension, reinstatement of loan guarantee.
- 3565.58–3565.99 [Reserved]
- 3565.100 OMB control number.

**Subpart C—Lender Requirements**

- 3565.101 Responsibility of lenders.
- 3565.102 Lender eligibility.
- 3565.103 Approval requirements.
- 3565.104 Application requirements.
- 3565.105 Lender compliance.
- 3565.106 Construction lender requirements.
- 3565.107 [Reserved]

- 3565.108 Responsibility for actions of agents and mortgage brokers.
- 3565.109 Minimum loan prohibition.
- 3565.110 Insolvency of lender.
- 3565.111 Lobbying activities.
- 3565.112–3565.149 [Reserved]
- 3565.150 OMB control number.

**Subpart D—Borrower Eligibility Requirements**

- 3565.151 Eligible borrowers.
- 3565.152 Control of land.
- 3565.153 Experience and capacity of borrower.
- 3565.154 Previous participation in state and federal programs.
- 3565.155 Identity of interest.
- 3565.156 Certification of compliance with federal, state, and local laws and with Agency requirements.
- 3565.157–3565.199 [Reserved]
- 3565.200 OMB control number.

**Subpart E—Loan Requirements**

- 3565.201 General.
- 3565.202 Tenant eligibility.
- 3565.203 Restrictions on rents.
- 3565.204 Maximum loan amount.
- 3565.205 Eligible uses of loan proceeds.
- 3565.206 Ineligible uses of loan proceeds.
- 3565.207 Form of lien.
- 3565.208 Maximum loan term.
- 3565.209 Loan amortization.
- 3565.210 Maximum interest rate.
- 3565.211 Interest credit.
- 3565.212 Multiple guaranteed loans.
- 3565.213 Geographic distribution.
- 3565.214 [Reserved]
- 3565.215 Special conditions.
- 3565.216–3565.249 [Reserved]
- 3565.250 OMB control number.

**Subpart F—Property Requirements**

- 3565.251 Eligible property.
- 3565.252 Housing types.
- 3565.253 Form of ownership.
- 3565.254 Property standards.
- 3565.255 Environmental requirements.
- 3565.256 Architectural services.
- 3565.257 Procurement actions.
- 3565.258–3565.299 [Reserved]
- 3565.300 OMB control number.

**Subpart G—Processing Requirements**

- 3565.301 Loan standards.
- 3565.302 Allowable fees.
- 3565.303 Issuance of loan guarantee.
- 3565.304 Lender loan processing responsibilities.
- 3565.305 Mortgage and closing requirements.
- 3565.306–3565.349 [Reserved]
- 3565.350 OMB control number.