

RD AN No. 3969 (1980-D)
April 21, 2004

TO: All State Directors
Rural Development

ATTENTION: Rural Housing Program Directors, Guaranteed Rural Housing
Specialists, Rural Development Managers, and Community
Development Managers

FROM: Arthur A. Garcia *(Signed by James E. Selmon, III)* *for*
Administrator
Rural Housing Service

SUBJECT: Single Family Housing Guaranteed Loan Program
Appraisals in Remote Rural Areas and on Tribal Lands

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to establish the use of replacement cost for new construction located in remote rural areas and on Tribal lands.

This AN addresses the needs of remote areas which contain scattered or small pockets of substandard housing and there is no market data available to support the cost of new construction. Areas typical of this situation include:

- Tribal lands
- Appalachia
- the Great Plains, and
- the Delta.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN 3805 (1980-D), dated November 26, 2002.

EXPIRATION DATE:
April 30, 2005

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

BACKGROUND:

In remote rural areas and on Tribal lands, a lack of comparable sales can make it difficult to appraise a new construction property.

Remote rural areas are identified by the State Director and are defined as areas with **all** of the following characteristics:

- Scattered population;
- Low density of residences;
- Not part of a Metropolitan Statistical Area (MSA);
- Lack of basic shopping facilities;
- Lack of community and public services and facilities; and
- Lack of comparable sales data.

In these areas, if the sales comparison approach is not necessary in order to result in opinions or conclusions that are credible, the lender's appraiser may decide to invoke the Departure Rule of the Uniform Standards of Professional Appraisal Practice (USPAP) and perform a Limited Appraisal.

The Departure Rule of USPAP states, "The burden of proof is on the appraiser to decide before accepting an assignment and invoking this rule that the scope of work applied will result in opinions or conclusions that are credible."

In cases in which the lender's appraiser accepts the assignment and invokes the Departure Rule, the appraiser:

- is not required to complete the sales comparison analysis on the *Uniform Residential Appraisal Report (URAR)*.
- must document his/her unsuccessful efforts to obtain comparable market data for the sales comparison analysis on the *URAR*.
- must complete *Form 1007, Marshall and Swift Square Foot Appraisal*.
- must document the results of the cost analysis on the *URAR*.
- must not consider external depreciation based on the remoteness of the site.
- must consider factors that impact the site such as immediate proximity to a feedlot, factory, or other similar considerations.

The Agency should review each Limited Appraisal to ensure that the above requirements were met.

After a market is established in these areas, the Agency will require that appraisals for new construction include the sales comparison approach.

State Offices having questions regarding this AN should contact Robert E. Keyes or Joaquín Tremols at (202) 720-1452 or robert.keyes@usda.gov or joaquin.tremols@usda.gov.