

October 4-6 | Fort Worth, Texas | In Person & Virtual



2026 ASA INTERNATIONAL CONFERENCE

A New Frontier: Appraising in a World of Change



Special Appraisal Requirements for Government Loan Guaranteed Programs

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What are Government Loan Guarantee Programs

- 💧 FHA
- 💧 VA
- 💧 USDA-Rural Development



How do these programs differ from Conventional loan programs

- ◆ Loan is either purchased by the government entity or is guaranteed by them



Why are they gaining in popularity

- 💧 Affordable source for high LTV Loans
- 💧 Private Mortgage Insurance (PMI) is difficult to obtain
- 💧 More lenders are participating in government loan programs

Purpose of the appraisal?

Does it make a difference?



Intended User (defined)

- ◆ **Intended User**

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment. (USPAP, 2024 edition)

- ◆ The specific user of the appraisal can vary
 - ◆ Primary Users (Lender, VA, FHA, USDA)
 - ◆ Additional Users (Secondary market investors)

Specific Appraisal Requirements

- ◆ Sales Contracts (when applicable)
 - ◆ Dated and signed by all parties
 - ◆ Inclusive of all referenced addenda
- ◆ Required reporting forms and format
 - ◆ Basic appraisal form (Example: 1004, 2055, 1073, 1075)
 - ◆ URAR UAD 3.6 status
 - ◆ Supplemental forms
 - ◆ Client specific content
- ◆ Special Inspection Requirement (if any)
 - ◆ Are there any special inspections required of appraiser?
 - ◆ Will inspection reports be provided? (Example USDA MO RD Guide 11)
- ◆ Special forms or required addenda items
 - ◆ Comparable Sales Photos
 - ◆ Additional Comparable Requirements
 - ◆ Comparable Listings
 - ◆ Other client required exhibits

FHA Appraisal Overview

Also serves as the basis for USDA-RD



FHA Forms and Resources:

- ◆ Must be completed on appropriate Fannie Mae forms (at present)
 - ◆ URAR (1004)
 - ◆ Manufactured Home Appraisal Report (1004C)
 - ◆ Individual Condominium Unit Appraisal Report (1073)
 - ◆ Small Residential Income Property Report (1025)
 - ◆ Appraisal Update and/or Completion Report (1004D)
 - ◆ Required URAR UAD 3.6 use is pending but will be accepted after 11/2/2026
- ◆ Resources
 - ◆ HUD 4000.1
 - ◆ Appraisal Report Data and Delivery Guide (ARDDG)**

**Possibly will become obsolete with the adoption of UAD 3.6

FHA Appraiser requirements

FHA Appraiser Selection Process

- ◆ Open Appraisal Panel – Appraisers must apply
- ◆ Must be a certified appraiser
- ◆ Licensed may be accepted soon
- ◆ Appraiser is engaged by lender (or lender's agent)

Intended Uses and User

- ◆ The intended use for all appraisals prepared for FHA is to support the underwriting requirements for an FHA-insured mortgage.
- ◆ The intended user is the Client (lender) **and HUD** as additional intended user.
- ◆ Appraisers need to modify their Intended Use and User Statement to include FHA as the intended user

Property inspection requirements

- ◆ Interior and Exterior inspection of “readily observable” areas of dwelling
- ◆ “Head and Shoulders” inspection of the attic and crawlspace
 - ◆ Must visually observe the interiors of attic spaces to the extent these areas are safely accessible
 - ◆ Photos are no longer specifically required of attic or crawlspace
- ◆ Complete physical inspection of the site including perimeter and interior area
- ◆ Interior and exterior inspection of dwelling and all additional structures
 - ◆ All are subject to same MPR issues

Property inspection requirements - continued

- ◆ Check mechanical, plumbing and electrical to ensure that they are in working order
 - ◆ HVAC-Turn on the HVAC systems and observe performance (ambient temperature permitting)
 - ◆ Does furnace or AC activate at set temperature
 - ◆ Is warm or cool air emitted
 - ◆ Does HVAC unit shut off after reaching set temperature
 - ◆ Electrical - Examine the electrical system
 - ◆ No visible frayed wiring, or
 - ◆ Exposed wires in living areas and
 - ◆ Note if the amperage appears adequate for the property (Minimum 100 Amp Service)
 - ◆ Operate a representative number of lighting fixtures, switches and receptacles inside the house, garage and on the exterior walls and note any deficiencies.

NOTE: The appraiser is not required to insert any tool, probe or testing device inside the panels or to dismantle any electrical device or control

Property inspection requirements - continued

- ◆ Plumbing System
 - ◆ Flush the toilets and turn on a representative number of faucets
 - ◆ Determine that the plumbing system is intact,
 - ◆ Does not emit foul odors, that faucets function appropriately,
 - ◆ Both cold and hot water run and that there is no readily observable evidence of leaks or structural damage under fixtures
 - ◆ Turn on several cold water faucets in the house to
 - ◆ Check water pressure and flow.
 - ◆ Flush a toilet at the same time to reveal any loss in water pressure
 - ◆ Ensure adequate discharge tube is in place on T&P Relief valve.
 - ◆ Private Water & Sewage Systems - If the property has a septic system:
 - ◆ Examine it for any signs of failure or surface evidence of malfunction
 - ◆ If subject has a well – determine:
 - ◆ distance from septic tank to well head (50' minimum)
 - ◆ distance from drain field to well head (100' minimum)
 - ◆ distance from well head to property line (10' minimum)

Property inspection requirements - continued

Examples of property conditions that may represent a risk to the health and safety of the occupants or the soundness of the property for which FHA will continue to **require automatic repair** for existing properties include, but are not limited to:

- ◆ Inadequate access/egress from bedrooms to exterior of home
- ◆ Leaking or worn-out roofs (if 3 or more layers of shingles on leaking or worn-out roof, all existing shingles must be removed before re-roofing)
- ◆ Evidence of structural problems (such as foundation damage caused by excessive settlement)
- ◆ Defective paint surfaces in homes constructed pre-1978
- ◆ Defective exterior paint surfaces in home constructed post-1978 where the finish is otherwise unprotected, **except for wood that is otherwise treated.**

Property inspection requirements - continued

Examples of minor property conditions that no longer require automatic repair for **existing** properties include, but are not limited to:

- ◆ Missing handrails
- ◆ Cracked or damaged exit doors that are otherwise operable
- ◆ Cracked window glass
- ◆ Defective paint surfaces in homes constructed post 1978
- ◆ Minor plumbing leaks (such as leaky faucets)
- ◆ Defective floor finish or covering (worn through the finish, badly soiled carpeting)
- ◆ Evidence of previous (non-active) Wood Destroying Insect/Organism damage where there is no evidence of unrepaired structural damage
- ◆ Rotten or worn-out counter tops
- ◆ Damaged plaster, sheetrock or other wall and ceiling materials in homes constructed post- 1978
- ◆ Poor workmanship
- ◆ Trip hazards (cracked or partially heaving sidewalks, poorly installed carpeting)
- ◆ Crawl space with debris and trash
- ◆ Lack of an all-weather driveway surface

USDA – Rural Development Loans

(Basic premise of program to provide “affordable housing”)



USDA – Rural Development Loans

Resources for USDA

- ◆ **Applicable Resources**

- ◆ HUD Handbook 4000.1
- ◆ USDA –HB-1-3550

Appraisal Requirements

- ◆ **Appraisal requirements** - much like FHA but are more stringent for new construction appraisals
 - ◆ Appraisers to either document the property meeting the requirements contained in HUD Handbook 4000.1 or make the appraisal subject to the repair or correction the items that impact the safety, soundness or security of the property.

Appraisal Requirements

◆ Appraisal requirements - Continued

- ◆ Rural Development does not expect appraisers to be professional home inspectors
- ◆ Rural Development requires a third-party professional home inspection be completed prior to loan approval for direct housing loan program.
- ◆ Appraiser needs to know all USDA-RD and FHA requirements
 - ◆ Determine if property is eligible for the RD guaranteed loan program
 - ◆ Determine whether the deficiencies will affect the value.

Appraiser Requirements

- 💧 Open panel
- 💧 Hired by lender or by USDA – RD on Direct Loan Programs
- 💧 Appraiser must be Certified or Licensed
- 💧 Does not require appraiser to be on the FHA panel (however, the lender could require this)



Special USDA-RD Issues

Property Eligibility

- ◆ Geographical requirements – Generally limited to population areas of 20,000 or less (Lender must determine – Appraiser should address)
- ◆ Cannot be in 100-year flood hazard area (Zone A) unless have flood elevation determination that first floor is above 100-year floodplain
- ◆ Tract cannot contain farm buildings, livestock or grain storage facilities that have substantial value or produce income
- ◆ If not on public water and sewer must state and local health requirements
- ◆ Existing manufactured homes (or mobile homes) **are ineligible**
- ◆ New manufactured homes must be purchased through a RD approved dealer

Special USDA-RD Issues

- ◆ **Examples of issues typically requiring repair prior to closing:**
 - ◆ Structural defects (foundation, roof issues)
 - ◆ Major deferred maintenance
 - ◆ Unsafe electrical or plumbing
 - ◆ Hazardous materials discovered

Note: Minor repairs may be escrowed when permitted.

Examples of Common MPR Issues

Evidence of Roof Failure



Evidence of Wood Boring Insect Damage



Examples of Common MPR Issues

Federal Pacific Stab-Lok Breaker Panel



Loose or Exposed Wiring



Examples of Common MPR Issues

Inadequate Drainage



Missing Discharge Tube on TPR Valve



VA Guaranteed Loan Program



VA Guaranteed Loan Program

Appraisal requirements - much like FHA with respect to Minimum Property Requirements (MPR).

- ◆ Borrower is indicated in the report only as the name of the veteran.
- ◆ Client is indicated in the report as: *client name*/VA or /Dept of VA

Appraiser requirements:

- ◆ Closed panel
- ◆ Appraiser assigned by VA on rotational basis

VA Guaranteed Loan Program

- ◆ Inspection Requirements much like FHA
 - ◆ Exterior and Interior viewing
 - ◆ Head and shoulders inspection of attic and crawlspaces if safely accessible
 - ◆ Not required to operate mechanicals or electrical items
 - ◆ Made “Subject to” if VA MPR repairs, subject to repair or correction
 - ◆ No formal list of repair issues – at appraiser’s discretion based upon the “3 - S’s” – **Safety, Sanitary and Soundness**
 - ◆ Required repairs will be limited to necessary requirements to:
 - ◆ Protect the health and safety of the occupants (**Safety**)
 - ◆ Protect the security and marketability of the property (**Security**)
 - ◆ Correct physical deficiencies or conditions affecting structural integrity (**Soundness**)

VA Guaranteed Loan Program

MPRs per Chapter 12

- Living Conditions:
 - Space Requirements
 - Water Supply and Sanitary Facilities
 - Utilities
 - Heating
- Safety Requirements:
 - Hazards
 - Lead-Based Paint
- Site Requirements
 - Access
 - Encroachments
 - Drainage and Topography
- Structural Requirements:
 - Defective Conditions
 - Wood Destroying Insects/Fungus/Dry Rot
 - Roof Covering, Attics
 - Crawl Spaces, Basements
 - Swimming Pools
 - Burglar Bars
- Legal Requirements:
 - Single, Marketable Real Estate Entity
 - Non-Residential Use
 - Zoning
 - Local Housing/Planning Authority Code Enforcement

VA Guaranteed Loan Program

MPRs per Chapter 12

- Mechanical Systems and Equipment
 - Mechanical Systems
 - Leased Mechanical Systems
 - Alternative Energy Equipment
- Environmental Requirements:
 - Potential Environmental Problem
 - Stationary Storage Tanks
 - Mineral, Oil, and Gas Reservations or Leases
 - High Voltage Electric Transmission Lines
 - High Pressure Gas and Liquid Petroleum Pipelines
- Location-related Requirements:
 - Radon Gas
 - Geological or Soil Instability, Subsidence, and Sinkholes
 - Special Flood Hazard Area
 - Coastal Barrier Resources System
 - Lava Flow Hazard Areas
 - Properties Near Airports
- Property Type-Related Requirements:
 - Manufactured Home Classified as Real Estate
 - Modular Homes

VA Guaranteed Loan Program

VA Minimum Property Requirements at a Glance

- ◆ **Property must be residential.**
- ◆ **Property must have space for living, sleeping, cooking, and sanitation.**
- ◆ **Mechanical systems must be safe and functional..**
- ◆ **Heating must be adequate.** The home must have a safe, functional heating system, electric or gas. Wood-burning stoves used as a primary heat source require a conventional backup system capable of maintaining a minimum of 50° F.
- ◆ **The home must have hot water, safe drinking water, and proper sewage disposal.** If not on public water, a well test is required.

VA Guaranteed Loan Program

VA Minimum Property Requirements at a Glance

- ◆ **Roofing must be adequate.** The VA appraiser will closely examine the roof. Defective roofs with three or more layers of shingles must have the old shingles fully removed before replacement.
- ◆ **Crawl spaces must be accessible, clear of debris, and properly vented.** Moisture, pooling water, and foundation issues are red flags.
- ◆ **Utility services must be independent for each living unit** or have separate shutoffs.
- ◆ **Properties must have safe street access** via a private driveway or permanent easement.
- ◆ **Properties must be free of hazards** that adversely affect the health and safety of occupants. This category is broad and subject to appraiser interpretation; handrails on steps, for example, are a common item called out here.

VA Guaranteed Loan Program

VA Minimum Property Requirements at a Glance

- ◆ **No defective conditions that impair safety, sanitation, or structural soundness.** Appraisers should watch for poor construction, settlement, excessive dampness, and decay.
- ◆ **The lot must drain properly.** Water should drain away from the home, not pool on the site.
- ◆ **No wood-destroying insects, fungus, or dry rot.** Termite inspections may be required. Infestations must be treated and re-evaluated.
- ◆ **Lead-based paint must be evaluated and corrected on homes built before 1978.** *(Note: Defective exterior paint on homes built after 1978 is now treated as cosmetic and is no longer an MPR concern.)*

NOTE: Outbuildings are no longer subject to VA MPR requirements.

VA Guaranteed Loan Program

VA Minimum Property Requirements at a Glance

The following are examples of common conditions that require the appraiser's commentary, rather than the requirement of repair:

- Single real estate entity
 - Multiple parcels are acceptable to VA if all parcels are contiguous and legally marketable.
 - UAD specifications should be followed by listing all parcel numbers on the report, which is the subject of your valuation.
 - If the property includes more than one parcel, appraiser is to prepare the report subject to placing all of the parcels on one deed.
- Legal, non-conforming use
 - Property does not comply with current zoning ordinances but is accepted by the local authority.
 - Appraiser should describe the property as "legal non-conforming" and comment on the property's marketability and any adverse effect.
 - Appraiser will state whether the dwelling may be legally rebuilt if destroyed.

VA Guaranteed Loan Program

VA Minimum Property Requirements at a Glance

- Leased equipment
 - Leased equipment or systems are not to be included in the estimated market value; however, those items should be identified in the report. Appraisers should consider any detrimental effect on the value should the lessor remove the leased items. Please note, some leases may encumber the title.
- Swimming pools
 - Unless there is evidence to the contrary, complete the appraisal under the assumption that the pool and its equipment are in good working order or can be repaired at minimal cost. If there is evidence of needed repairs, the appraisal report should reflect the recommended repairs.
- High voltage electric transmission lines/High pressure gas and liquid petroleum pipelines
 - Comment in the appraisal if the property is within 100 feet of the nearest boundary of related easements.

VA Guaranteed Loan Program

VA Minimum Property Requirements at a Glance



MPR procedures applicable to all assignments include:

- The assigned fee appraiser is to perform the property visit.
- A trainee may accompany the appraiser during the property visit.
- For Assisted Appraisal Processing Program (AAPP) assignments, the program allows for another appraiser to complete a visit.

Additional information on AAPP requirements will be provided later in this training series.

- During the visit, the appraiser should not perform operational checks of systems or appliances.
- Utilities do not need to be turned on.

VA Guaranteed Loan Program

VA Minimum Property Requirements at a Glance

- Cosmetic items involving minor deferred maintenance or normal wear and tear, or items that are inconsequential in the overall condition rating do not require repair.
- Detached improvements may be included in the value if they meet VA's MPRs. If the improvement presents a health or safety hazard, prepare the report "subject to the following repairs" and require removal or repair of the improvement.
- Any request from the Veteran to waive MPR repairs should be directed to VA for review and consideration.

VA Guaranteed Loan Program

VA Minimum Property Requirements at a Glance

If MPR deficiencies are identified, the appraiser should:

- Prepare origination (Purchase or Refinance) appraisals "subject to the following repairs..."
- Include an itemized list of any observed MPR repairs and photographs of those listed repair items.
- Ensure to recommend repairs, not inspections. An exception for calling for an inspection occurs when there is an observable infestation or damage from wood destroying insects.
- Include required commentary in the report, if applicable.

VA Guaranteed Loan Program

Streamline Reconsideration of Value Process

(a/k/a “Tidewater Initiative”)

- ◆ Appraiser contacts lender POC (Point of Contact)
- ◆ Advises POC that interested parties have 48 hours to submit market data
 - ◆ Sales are required to be provided in a “grid” format
 - ◆ Appraiser will consider sales data and other information provided
 - ◆ Appraiser may or may not adjust value based upon additional information
- ◆ Appraisers may only discuss appraisal and contents with POC and VA
- ◆ ROV process is not intended to be a “beat on the appraiser” process

Questions....





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He is a Past National President of the National Association of Independent Fee Appraisers and previously served as a member of the ASA – NAIFA Real Property Committee and was Chair of the ASA Real Property Marketing Committee. He is a past member of the International Board of Governors of the American Society of Appraisers, and a past member of the Board of Trustees of the Appraisal Foundation. He currently serves on the Industry Advisory Council (IAC) to the Appraisal Foundation. In addition, Doering is the President of the Missouri Appraisers Advisory Coalition which is the state appraiser advocacy coalition and is a Past Chair of the Missouri Realtors® Appraisal Section.

In 2018, Doering was named Appraiser of the Year by the ASA-NAIFA/Real Property Committee and the 2020 recipient of the American Society of Appraisers Paul A. Wetzel Award for volunteer service to the appraisal profession.



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Shane is a past winner of the ASA Rising Star Award and has won numerous awards for the local Board of Realtors and is often a guest lecturer in his area. He recognizes the importance of being involved with other real estate professionals and serves on the MLS Committee for the West Central Association of Realtors.