

May 8, 2013

TO: State Directors
Rural Development

ATTN: Rural Development Appraisers

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Multi-Family Housing Programs
Guidance for Rural Development Appraisers Completing Rent Comparability
Studies for the Rural Development Voucher Program

This Unnumbered Letter is being re-issued to provide guidance for Rural Development Appraisers to provide the Rent Comparability Studies (RCS) reports to Rural Development servicing officials for the Rural Development Voucher Program (RDVP).

Background

In Fiscal Year 2006, the U.S. Department of Agriculture established a demonstration Rural Development Voucher Program, as authorized under Section 542 of the Housing Act of 1949, as amended. The purpose in establishing the demonstration program was to assist tenants in their transition into the conventional rental market after owners of their apartment complexes paid off their Section 515 Direct loans. Congress' intent was to ease potential burden on the tenants if owners of Section 515 properties raised rents after Rural Development's affordable housing requirements and rental subsidies ceased to exist. Each Section 515 property that is subject to prepayment or foreclosure must have an RCS performed in order to calculate the amount of the voucher to offer the tenants. Below is guidance for the Rural Development Appraisers in providing the RCS reports to Rural Development servicing officials.

Introduction

In order for the Multi-Family Housing Program to issue Rural Development vouchers to the tenants, a Certified General Appraiser must complete an appraisal or RCS determining the current market rent. The following provides guidance for when A) an accepted and current

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appraisal is available and can be used; or B) the Agency Appraiser is required to provide a new RCS. In addition, guidance is provided on the procedure for ordering an RCS and on the definition of Market Rent.

A. Current Appraisal Available

If the most recent appraisal of the property is current within 12 months, and contains an acceptable market rent analysis (based on the appraisal review and acceptance of the report), the Rural Development Appraiser should provide a Rent Comparability Letter (Rent Comp Letter) identifying the subject property and restating the comparable market rent information (size, room count, rental amount) along with the effective date that was provided by the appraiser. The Rent Comp Letter should state the name of the original appraiser and reference the original appraisal report where all of the information can be located. This is not to be considered an appraisal, only a brief statement as to the information provided by the original appraiser. The Rural Development Appraiser should not provide their signature or certification number to this letter as it is not intended to represent an appraisal. The Rent Comp Letter is only to provide the comparable market rent information to the State staff from the original appraisal report in a condensed version.

B. New RCS Requested

If the subject property has not had an appraisal that was reviewed and accepted by a Rural Development Appraiser, or if the most recent appraisal completed on the property has an effective date that exceeds 12 months, the Appraiser should complete a Restricted Use Appraisal Report hereinafter referred to as the Rent Comparability Study or RCS. The RCS must be consistent with the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP). The Appraiser must provide the Market Rents rate as of the date of the RCS report. This is considered a new assignment.

In developing and reporting the RCS, the Rural Development Appraiser can use the original/accepted appraisal report and incorporate the property information, rental comparables and any other information or analysis needed by physical or electronic attachment, or by reference. The Appraiser can use either a qualitative or quantitative analyses to arrive at the conclusion of the rate for Market Rent. The Market Rent will be used by MFH in calculating a voucher amount.

In the RCS, the Appraiser should state:

- The subject property name
- That Rural Development is the client and the only intended user
- The intended use is to provide an opinion of comparable market rents for the Rural Development Voucher Program
- The effective date of value
- The date of the report
- The scope of work used to develop the appraisal
- The appraisal methods and techniques employed and the value opinion conclusion
- Any extraordinary assumptions, hypothetical conditions and limiting conditions and a statement that they may have an effect on value
- The use of the real estate existing and the use of the real estate reflected in the report.

The following information will be provided by the servicing official and should be included in the report:

- Property address
- Unit types
- Number of units in each type
- Unit sizes (sq. ft.)
- Property age
- Elderly/family
- Garden/elevator
- Borrower name

Any additional information required by the appraiser on the subject property or local comparable rentals should be provided with the assistance of the Rural Development staff located in the area that would service the property.

C. Servicing Officials order the RCS

The RCS is ordered after preservation incentives are declined if the property is going through the prepayment process. If the property is in foreclosure, the timing is dependent upon whether the state is a judicial or non-judicial state. The RCS should be conducted 90 days prior to the date of prepayment or foreclosure. The procedure for ordering an RCS remains unchanged and is as follows:

To request an RCS, Servicing Officials go to the Rural Development Voucher SharePoint site, <https://mfhdemoteam.sc.egov.usda.gov/voucher/Lists/RCS%20REQUESTS/Home%20view.aspx>.

Select “RCS REQUESTS”. Select “New.” If there is a recent appraisal for the property, you may attach the file by selecting “attach file;” then click “Browse” to find the correct file in your directory; once found click “OK.” The file will upload to the SharePoint entry. Proceed with the input of the requested data on the SharePoint site.

Appraisers have been provided access to the Rural Development Voucher SharePoint by the National Office. Appraisers are notified of the RCS request via an email alert from the Rural Development Voucher SharePoint website. Upon notification of the RCS request, the appraiser will have 3-5 weeks to provide the Rent Comp Letter or Restricted Use Appraisal Report, as applicable, to the State Office staff. The Appraiser may contact the property manager to set up the site visit, if needed and to obtain any additional information. Once completed, the Appraiser will provide the Rural Development Servicing Official identified with an electronic copy of the RCS report with a copy to the National Office, attention: Joan.Atkinson@usda.gov. The RCS report is valid for 1-year. After 1-year, the RCS must be updated. If prepayment or foreclosure has not occurred after 2 years, a new RCS must be ordered to continue the voucher issuance process. Once the Servicing Official submits the Voucher Determination Summary to the National Office, subsequent RCS reports are not required.

D. The Definition of Market Rent

“Market Rent” is the rent that tenants would most probably pay for the rental unit if tenants were not receiving rental subsidies and rents were not restricted by government agencies. The estimate of Market Rent should be as of the effective date of the Rent Comp letter or RCS report,

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and made without considering the market’s ability to absorb all of the rental units, but should not be linked to a specific exposure time in the open market, only that it be reasonable.

For additional guidance concerning the appraisal procedures described above, please contact Thomas Ale, National Office Appraiser at (202) 720-1620. For Rural Development Voucher program assistance, please contact Joan Atkinson, Finance and Loan Analyst at (202) 720-1609.