

Real Estate Appraisal Letter of Engagement

Date:

Dear _____

This letter engages you to complete a Market Value real estate appraisal of the subject property located at _____.
The property must be appraised to the Highest and Best Use for the property. This property is currently being used for _____. Identify what property rights were appraised. If the property rights differ from “Fee Simple” please discuss with the Client.

The purpose of the report is to provide an “opinion of “**market value**” based on a cash only sale, of the fee simple interest in the subject property. The definition of market value to be used in the appraisal report is provided. The intended use is:

Loan Making Loan Servicing Foreclosure _____

Definition of Market Value: The definition of market value is a current economic definition agreed upon by agencies that regulate federal financial institutions in the United States including the Resolution Trust Corporation.

“Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”¹

¹ USPAP 2008 Edition, AO-22, pg A-76 provides extensive source information on the definition

The "Client" is _____. The intended users of the report are the Client and the Farm Service Agency (FSA) and its successors and assigns. The property owner IS NOT an intended user of the report and will not be listed as an intended user of the report. The Client will be responsible for providing a copy of the report to the owner when required.

Your Point of Contact to coordinate access to the property shall be _____ at phone _____. Discussions with this or other parties shall be limited to only those necessary to provide a Uniform Standards of Professional Appraisal Practice (USPAP) compliant appraisal report.

This appraisal report shall provide either:

- The "As Is" market value of the property
- An "As Improved" appraisal report. The main change to the property will be;

The plans and cost estimates for the improvements are attached for your use.

The effective date of the appraisal will be either:

- The property inspection date
- _____

Any use of "Extraordinary Assumptions" or "Hypothetical Conditions" shall be clearly disclosed at the front of the report. This appraisal is to be completed in accordance with the USPAP as well as Minnesota Exhibit 15, "Summary of FSA Appraisal Assignment Guidelines". Please:

- Include a completed copy of the attached Exhibit 15 with the appraisal.
- Do not include a completed copy of the Exhibit 15 with the appraisal

The delivery date we have agreed upon is _____ You have agreed to complete and deliver this report for the sum of \$_____.

An original and 1 (one) copy shall be delivered to the client. This report shall be in "Appraisal Report" format. The scope of work shall follow FSA Appraisal Assignment Guidelines and shall not impact the ability of FSA to conduct a technical review.

Enclosed for your use are:

- The legal description of the property to be appraised,
- Minnesota FSA Exhibit 15, "Summary of FSA Appraisal Assignment Guidelines",
- The purchase agreement and seller disclosures,
- The plans and cost estimates for the improvements,
- _____.

If you have any questions about this assignment, please contact _____

Sincerely,

Enclosures: