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SOLUTIONS to DISCUSSION EXAMPLES
Overview

Seminar Description

This seminar was designed to help practicing residential appraisers better understand Freddie Mac’s goals and directives regarding its “Duty to Serve” initiative in the rural areas of the United States and Territories. Most importantly, the seminar is skills-based and allows appraisers to learn valuation techniques that are fairly new in the industry as well as to review and refresh their knowledge of more traditional methods.

This seminar begins with an overview of the history of Freddie Mac and a discussion of the difficulty of defining rural, suburban, and urban areas.

The topics of market analysis and highest and best use are addressed, including identifying the needs and wants of the people who buy houses in those areas. The criteria for the most likely buyer for rural properties are itemized as much as can be done without covering the details of each market within the U.S. and Territories.

The seminar addresses price ceiling limitations in rural markets as well as alternative ways in which residential real estate can be marketed in rural areas, e.g., MLS systems, For Sale By Owner, auction, and word of mouth. The lack of depth of the markets in rural areas is identified as an issue as well.

The impact on land prices from adjacent or nearby suburban development, farm productivity, and conversion to residential uses is illustrated in this seminar. The differences in the geographic, demographic, and governmental services are described to foster discussion of issues that impact the rural appraisal process. All of the above will lead to an in-depth discussion of both market analysis and highest and best use problems in rural residential appraisals.

Throughout the balance of the seminar, portions of the integrated case study will be included after specific concepts have been reviewed in Parts 2, 4, and 5.

The afternoon session begins with a discussion of the Freddie Mac appraisal guidelines and how they relate to rural appraisals. Report forms, exhibits, and required discussions are listed as well as unacceptable appraisal practices. Explanation of eligible and ineligible properties is included along with Discussion Examples.
The afternoon session has a strong focus on practical skills, beginning with the cost approach and including some specialty applications for rural residential properties.

Finally, the seminar addresses application of the sales comparison approach, with a review of extracting and supporting adjustments in rural residential appraisals, including supporting deductions for unusual designs or functional issues.

The Freddie Mac Appraiser Independence Requirements are located in the Appendix.

Definitions

The following definitions were taken from the Uniform Standards of Professional Appraisal Practice, 2020–2021 edition:

“Client: the party or parties (i.e., individual, group, or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.”¹

“Intended User: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.”²

When the terms Client and Intended User are presented in this seminar, and the terms are capitalized in the seminar materials, participants should consider them as being identical to the definitions in the Uniform Standards of Professional Appraisal Practice (USPAP).

Seminar Learning Objectives

☐ Describe the origins and history of the Government Sponsored Enterprises (GSEs) with a focus on Freddie Mac.

☐ Describe the issues with defining rural markets as well as the eligibility of properties to secure Mortgages purchased by Freddie Mac.

☐ Identify the issues regarding defining rural, suburban, and urban neighborhoods.

☐ List market-related issues in the valuation of rural housing and rural land.

☐ List and describe Freddie Mac Guidelines in section 5601 of the Freddie Mac Single-Family Seller/Servicer Guide (Guide), as they specifically pertain to the development and reporting of an appraisal of a rural residential property.

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☐ Describe geographic, demographic, and governmental issues relating to rural appraisals.

☐ Demonstrate the proper development of a market analysis for a rural residential property.

☐ Demonstrate the proper development of a highest and best use analysis for a rural residential property.

☐ Identify and demonstrate proper use of the cost approach in the development of an appraisal of a rural residential property.

☐ Identify and demonstrate the proper use of the sales comparison approach in developing an appraisal of a rural residential property, including methodologies for extracting and supporting adjustment rates for comparable sales.

☐ Identify and demonstrate how to develop an appraisal to support the Sweat Equity initiative currently available under the Freddie Mac Home Possible® Mortgage program.

Learning Enhancements

The seminar has been designed with a variety of elements to enhance your learning experience.

- **Preview.** To give you a taste of what is to come, each part begins with a Preview page that includes a brief overview of the content, learning objectives to consider as you move through the material, and learning tips that will assist you in understanding the information you are about to cover.

- **Learning Objectives.** Each learning objective covers information you need to fully understand the concepts in the seminar. Look them over before the part begins so that you have a frame of reference as you move through the material. At the end of each part, reread the objectives. Are you able to do what is stated? If not, this is the time to ask your instructor for help or review the concepts that you do not understand.

- **Discussion Examples.** Supplementing the material are Discussion Examples to help you visualize and practice what you are learning.

- **Case Study.** The case study contains real-world problems that provide practice in applying the methodologies presented in the seminar.

- **Review.** Each part concludes with a Review that repeats the learning objectives and identifies key terms and concepts that have been covered. There are also recommended resources when applicable.
Solutions. Suggested responses to Discussion Examples are provided behind a tab at the end of the Seminar Handbook. Suggested solutions to the Case Study Problems are behind a tab in the Case Study Booklet. Please use the solutions as intended. It is in your best interest to check solutions only after you have challenged the questions.

Classroom Guidelines

To make the seminar a positive experience for everyone attending, please follow these guidelines when class is in session:

- 100% attendance is required. No exceptions.
- Limit use of computers to classroom projects.
- Communicate with business associates during break time instead of class time.
- Put away reading materials such as newspapers and books that are not used in class.
- Silence cell phones.
- Use recording devices only if prior permission has been granted.
- Refrain from ongoing conversations with those seated near you and other distracting behavior.

General Information

- Calculator. An HP-12C or another financial calculator is required.
- Laptop computer. A laptop computer with Microsoft Excel version 2010 or higher is strongly recommended but not required.
- Breaks. There will be two 10-minute breaks during the morning session and two 10-minute breaks during the afternoon session unless noted otherwise by the seminar sponsor. The lunch break is one hour.
- Attendance sheets will be distributed during class to verify your attendance during the morning and afternoon sessions.
- Certificates of completion will be emailed after completion of the seminar, and attendance during the entire seminar is required.
Recommended Texts

- *The Appraisal of Real Estate*, current ed.

Recommended Prerequisites

- Licensed and Certified Residential or Certified General appraisal credential
- Working knowledge of the Marshall & Swift® – CoreLogic® Residential Cost Handbook
- Working knowledge of developing regression models in Microsoft Excel