FSA Expands Use of Evaluations and Older Appraisals in Farm Lending

The U.S. Department of Agriculture's Farm Service Agency (FSA) has issued a final rule that could significantly affect agricultural appraisers and the valuation process for certain farm loans. The rule, which takes effect October 1, 2026, expands FSA's ability to use real estate evaluations in place of traditional appraisals and allows the agency, under certain conditions, to rely on direct-loan appraisals that are up to 36 months old.

Under the new rule, FSA may use a real estate evaluation rather than an appraisal for qualifying commercial real estate transactions of $500,000 or less and business-loan transactions of $250,000 or less. The rule also raises the threshold for certain guaranteed-loan commercial real estate transactions from $250,000 to $500,000. Importantly, the rule defines an evaluation as a market-supported estimate of value that may be prepared by an individual who is not a state-licensed appraiser and is not required to comply with the Uniform Standards of Professional Appraisal Practice (USPAP).

The rule also expands FSA's ability to reuse existing appraisals. For direct loans, an appraisal may be used for up to 36 months if FSA documents that market conditions have remained stable or improved, the property remains in the same or better condition, and its value has remained unchanged or increased. A USPAP-compliant appraisal update prepared by the original appraiser or appraisal firm remains another option. While this provision may reduce costs and processing times, it also places significant responsibility on agency officials to determine whether market and property conditions support continued reliance on an older appraisal.

Additional changes affect collateral releases and appraisal reviews. When collateral is released without compensation, FSA will value the collateral remaining as security but will no longer require an appraisal of the property being released. Formal appraisals and technical appraisal reviews, however, remain subject to USPAP requirements. The rule also distinguishes administrative appraisal reviews from technical reviews, clarifying that an administrative review does not determine compliance with USPAP Standards 3 and 4.

FSA estimates that it typically pays between $2,000 and $3,000 for a contracted appraisal and waits approximately 30 to 45 days for completion—factors the agency cited in support of expanding the use of evaluations and existing appraisals. The practical effect of these changes will likely be a reduction in some FSA appraisal assignments, particularly for transactions below the new thresholds, while shifting more valuation work to non-USPAP evaluations.

One implementation question remains noteworthy: while the rule refers to evaluations being conducted pursuant to applicable Agency guidance, the final rule itself does not appear to establish specific qualifications for individuals preparing evaluations or announce when additional implementing guidance will be issued. The Appraisal Institute will be closely engaged with FSA as the agency implements these changes, particularly regarding the qualifications and competency standards for individuals conducting evaluations.

The FSA changes come as federal policymakers continue to examine ways to modernize appraisal and valuation processes. While this rule is part of FSA's broader effort to improve farm-loan delivery and should not be characterized as a direct implementation of the President's Executive Order on appraisal modernization, several of its provisions reflect the broader policy direction toward greater "efficiency", increased use of technology, and more flexible approaches to valuation.