

January 4, 2012

## SAMPLE

John Smith, MAI,  
XYZ Appraisal  
2 N. LaSalle St., Ste. 800  
Chicago, IL 60602

Re: **Office-Warehouse Building**  
**1515 Franklin Boulevard**  
**Anytown, WI**

Dear Mr. XXXXXX,

Anytown State Bank hereby requests your services in providing a summary report of a complete appraisal on the captioned project. The appraisal is to be an estimate of Market Value and should include the leased fee value as well as the fee simple value (i.e. any positive or negative leasehold).

The **Intended Use** of the subject appraisal is for loan underwriting and/or credit decisions. The **Intended Users** of this report are Anytown State Bank, its parent, affiliates, subsidiaries and assigns and Real Estate Underwriting Services.

***The appraiser's scope of work is delineated in the attached addenda.*** Your engagement for this assignment is as an independent contractor, and not as an employee of Anytown State Bank. You may assign this appraisal to a qualified staff appraiser, but you must sign and take professional responsibility for the content, analysis, and conclusions of the appraisal. You may not subcontract this assignment to an outside individual or firm without prior written consent of Anytown State Bank. Please note that your engagement for this assignment (or any future assignments) is not contingent upon the development or reporting of a predetermined value of direction in value, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.

The purpose of the appraisal is to estimate a reliable market value of the property. The function and intended use of the appraisal is to enable Anytown State Bank, the intended user, to appropriately analyze the property *as collateral for a proposed loan*. The appraisal must be in compliance with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) and with the Uniform Standards of Professional Appraisal Practice (USPAP).

Additionally, the appraiser warrants that their license, certification, and any professional designations are currently valid, in good standing, and not subject to any restrictions. Please include a copy of your license as part of the appraisal report in the addenda.

A full legal description of the property to be appraised must be included in the report. If not available, an explanation must be provided.

Note that the appraiser must consider and analyze any current agreement of sale, option or listing of the subject property as well as any prior sales that occurred within the past three years. It is expected that the report will contain a sufficient quantity of comparable market data related to land sales, rental values and completed project sales as and if available. Adequate support for operating expense estimates, capitalization rates and input data for discounted cash flow analysis must be provided. A narrative explanation and/or adjustment grid of comparables must be provided.

**As a summary report, the review process may necessitate presentation of your appraisal file/work papers, currently or at some future date.** Your cooperation during the review process is required as part of this agreement.

It is understood that Anytown State Bank will pay your fee for this assignment upon the approved review of the appraisal report. Our approval process for a "clean" report normally is completed within 10 working days of receipt of the appraisal, and you should receive payment in approximately 30 days of our receipt of the appraisal. The agreed amount of your fee is **\$4,200.**

**It is further understood that you will have two copies of the report, addressed to Anytown State Bank, delivered to the attention of: John Jones, Vice President at Anytown State Bank at 8626 Jackson Park Blvd, Wauwatosa, WI 53045. One additional copy of the report should be delivered to Real Estate Underwriting Services, Inc., Attn.: J. Travers Price, 8626 Jackson Park Blvd., Wauwatosa, WI, 53226. Please also provide PDF electronic copies of the report to [jjones@anytownstatebank.com](mailto:jjones@anytownstatebank.com) and [reus@bizwi.rr.com](mailto:reus@bizwi.rr.com) .**

**The report must be delivered on or before January 26, 2012.** Time is of the essence with regard to the delivery of this report and unless delayed by circumstances beyond the control of the appraiser, the appraisal report must be received by the due date. Should the appraisal report not be delivered on or before the agreed delivery date, Anytown State Bank reserves the right, at its sole discretion, to either cancel the assignment for cause without payment of the fee or deduct a late fee of \$250 per business day until the appraisal is received. If delays are anticipated or occur, you must immediately request an extension of the due date in writing from the undersigned in order to avoid late fees. Any questions regarding this agreement, appraisal scope or methodology, etc., should be directed to Travers Price @ 414/476-8331.

**The property contact is Bill Smith at 414-512-2020. Please contact Mr. Smith upon receipt of the engagement letter to confirm that you have this assignment in your queue. You may also contact John Jones at 282-827-5100.**

**Please confirm your understanding of the assignment, timing, and fee returning a signed copy of this letter when you receive the lender's signed copy to the two email addresses noted above. This letter is being transmitted via Internet and a hard copy will not be sent. A copy of this Engagement Letter, which delineates the compensation paid to the appraiser, must be included as an exhibit to the appraisal report.**

Sincerely,

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John Jones, VP

ACKNOWLEDGED, AGREED & ACCEPTED

By: \_\_\_\_\_

Date: \_\_\_\_\_

## **APPRAISER SCOPE OF WORK ADDENDA**

To Engagement Letter dated January 4, 2012, for the appraisal report of an **Office-Warehouse Building, 1515 Franklin Boulevard, Anytown, WI**

The Appraiser(s)

- a. Will inspect the subject property to note the characteristics of the property that are relevant to its valuation;
- b. **Will investigate available market data for use in cost, sales comparison, and income capitalization approaches to value. The exclusion of any valuation approach must be explained and supported.** The appraiser's investigations will include research of public records through the use of commercial sources of data such as printed comparable data services and computerized databases. Search parameters such as dates of sales, leases, locations, sizes, types of properties, and distances from the subject will start with relatively narrow constraints and, if necessary, be expanded until the appraiser has either retrieved data sufficient (in the appraiser's opinion) to estimate market value, or until the appraiser believes that he or she has reasonably exhausted the available pool of data. Researched sales data will be viewed and the appraiser will consider any appropriate listings or properties found through observation during appraiser's data collection process. The appraiser will report only the data deemed to be pertinent to the valuation problem.
- c. Will, at a minimum, include the following information in the valuation approaches:
  - a. **The Cost Approach** should include an explanation of why and how this approach to value is applied with brief discussions of highest and best use, land value, the cost and depreciation concepts employed, and the basis of the cost and depreciation estimates. Land development and construction should include a detailed analysis of costs and entrepreneurial profit. If the cost approach is omitted, you should briefly explain why it is inapplicable.
  - b. **The Sales Comparison Approach** should include current data and sufficient detail for us to be able to justify the ratings and comparisons. Comparable Sales cannot exceed three years from the date of the appraisal. If necessary, the report should explain the insufficiency of the data or the inapplicability of the approach.
  - c. **The Income Capitalization Approach** should be explained in the simplest possible terms with a description of data sources and methodology, a highlighted summary of the assumptions used with appropriate explanations, information supporting any estimates of current and future income and expenses, and evidence to support the capitalization and discount rates selected. If the income approach is omitted, you should briefly explain why it is inapplicable.
- d. Will investigate and analyze any pertinent easements or restrictions, on the fee simple ownership of the subject property. It is the client's responsibility to supply the appraiser with a title report. If a title report is not available, the appraiser will rely on a visual inspection and identify any readily apparent easements or restrictions.
- e. Will analyze the data found and reach conclusions regarding the market value, as defined in the report, of the subject property as of the date of value using appropriate valuation approach(es) identified above;
- f. Will prepare the appraisal in compliance with the Uniform Standards of Professional Appraisal practice as promulgated by The Appraisal Foundation, the Code of Professional Ethics and Certification Standard of the Appraisal Institute, the Federal Institutions Reform, Recovery and Enforcement Act (FIRREA), and the guidelines set forth by Southport Bank;
- g. Will prepare and provide a signed Certification in conformance with FIRREA and USPAP Standard 2 in each report. The Certification must be signed by the party to whom the engagement letter is addressed, as that is the person on the institution's approved appraiser list. If the Certification is signed by a Supervising Appraiser, the Supervising Appraiser is to inspect the subject through no less means than an exterior inspection and viewing of photos taken by the primary appraiser, and is to state the extent of the inspection in the certification. All inspections must be performed by a Certified Appraiser.
- h. Will not be responsible for ascertaining the existence of any toxic waste or other contamination present on or off the site. The appraiser will, however, report any indications of toxic waste or contaminants that may affect value if they are readily apparent during appraiser's investigations. Appraiser cautions the user of the report that appraiser is not expert in such matters and that appraiser may overlook contamination that might be readily apparent to parties who are experts in such matters.
- i. Will prepare a Summary Appraisal Report, as defined in USPAP, which will include photographs of the subject property, descriptions of the subject neighborhood, the site, any improvements on the site, a description of the zoning, highest and best use analysis, a summary of the most important sales used in the appraiser's valuation, a reconciliation and conclusion, a map illustrating the sales in relationship to the subject property, and other data deemed by the appraiser to be relevant to the assignment. Any extraordinary assumptions or hypothetical conditions must be prominently stated in the report. Pertinent data and analyses not included in the report may be retained in appraiser's files.

### **REAL ESTATE UNDERWRITING SERVICES RESPONSIBILITY AND AUTHORITY**

**Real Estate Underwriting Services, Inc (REUS)** is authorized to provide a *written Standard 3* regulatory review of the completed report to assure report compliance with The Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), the Uniform Standards of Professional Appraisal Practice (USPAP) *and the Interagency Appraisal and Evaluation Guidelines.*