



Appraising properties on Tribal Lands

Frequently Asked Questions

As a national leader in the mortgage industry, Fannie Mae's goal is to provide capital to all communities. With our Initiative for Native American Homeownership, Fannie Mae offers Native American tribes and lenders the opportunity to use conventional mortgages on tribal lands. However, there are some challenges with completing appraisals on tribal trust lands. These FAQs relate to the process of appraising properties on tribal trust land.

Q1. What are the primary challenges with completing appraisals on tribal trust lands?

There may be a lack of verifiable data. For example, often there is a lack of closed or verifiable home sales, and there can be non-market rents or the lack of written lease agreements for lands with Leased Fee Ownership.

Q2. Why would an appraiser elect to do only the Cost Approach to value?

When there is a lack of verifiable data to support the Sales Comparison Approach, the appraiser must rely on the alternative method, the Cost Approach. The Cost Approach may only value the improvements, due to existing policies and lack of land sales. The appraised value is then determined by the formula: Replacement Cost New, less Depreciation, equals Value.

Q3. Must the appraiser determine the land value when the home is on tribal trust land?

Land value is not required when there is not sufficient verifiable data to support an opinion of land value. In these cases, the value of the site improvements is estimated by using the Cost Approach.

Q4. Who decides if the appraisal should be completed with a Sales Comparison Approach or if a Cost Approach Only appraisal should be completed?

The appraiser will make the decision on the method used based upon the amount of adequate verifiable data.

Q5. If the appraiser decides there is adequate data to complete a Sales Comparison Approach, is there anything different about completing the appraisal?

No. A traditional appraisal using the Sales Comparison Approach on tribal lands should be completed in the same way as any other traditional appraisal. In addition, the lender will review the appraisal and submit the report to Uniform Collateral Data Portal® (UCDP).

Q6. If the appraiser determines that there is not enough market data to complete the Sales Comparison Approach, what cost service should be used to determine the subject's value?

The appraiser determines which cost service to employ. It must be a recognized cost service and provide enough detail that the lender will be able to replicate the cost approach.

Q7. If the appraiser determines that there is not enough market data to complete the Sales Comparison Approach and decides to do the Cost Approach Only, how does the appraiser get access to the Cost Approach Addendum?

The lender will send the appraiser the Cost Approach Addendum in a PDF format along with a modified Scope of Work, Statement of Assumptions and Limiting Conditions, and Certification. These documents will replace and supersede the corresponding sections of Fannie Mae Form 1004.

Q8. What type of properties can be completed on Form 1004, when the property is on tribal trust lands?



Existing single-family homes, proposed construction of single-family homes and manufactured homes may be completed on Form 1004 when the property is on tribal trust lands.

Q9. Will the report be submitted through UCDP?

No. The report will not be submitted through UCDP, unless it is a traditional appraisal. The lender will be required to submit the Cost Approach Only appraisal manually to Fannie Mae and retain a copy of it in the file.