

SUBJECT: Privatization Appraisals

**TO: Mr. Robert Lewis
State Director Rural Development
Morgantown, West Virginia**

**FROM: Dick Mansfield
Assistant Administrator
Water and Environmental Programs
Rural Utilities Service**

This is a follow up to our meeting in Senator Rockefeller's office on July 14, 1997, where I handed out an appraisal process for the parties present to review. Since we have received no comments on the proposed process, therefore, we would like you to implement it. Here is the process you should use in obtaining appraisals for water and waste systems that are being privatized:

- 1. Privatization appraisals will be completed by independent their parties.**
- 2. The borrower should contract for and pay for the appraisal. We should not accept appraisals contracted and paid for by the prospective purchaser of the system.**
- 3. There are several ways to pay for the appraisal: a) The borrower may use available reserve funds; b) the borrower may recoup the appraisal cost from any excess funds available from the sale of the system (after loans are paid back) as a transaction cost under Executive Order 12803; or c) in case of financial hardship where the above options are not feasible, you may request funding from the National office.**
- 4. Your staff should meet with the borrower prior to contracting for an appraisal. The type of appraisal should be defined, including a valuation "as is," and outline the minimum qualification of the appraiser. The borrower and appraiser should have a clear understanding of what RUS expects in the appraisal.**
- 5. Your staff, should review the appraisal and discuss any concerns with the appraiser.**
- 6. When you agree with the appraisal, submit it to the National Office for forwarding to the Office of Management and Budget for concurrence.**

I hope the above process provides the information you need to process the privatization requests. If you need further assistance, please advice.

**cc: SB Division SB McCracken SB Feddiman AAWEP
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