



# Loan Guaranty Conference 2023

SAR Training

Loan Policy and Valuation, Construction and  
Valuation (C&V)

Department of Veterans Affairs, Loan Guaranty Service

For VA Internal Use Only



VA



U.S. Department  
of Veterans Affairs

# Introduction

VA Central Office

Construction and Valuation (C&V)

▶ James Heaslet, Chief Appraiser

▶ Valuation Officers:

- Myron Head
- Elizabeth White
- Jim Havas
- Kathy Bernheim

# Agenda

- ▶ 15-minute break



- ▶ 1 hour lunch

- ▶ Please turn off cell phones or airplane mode



- ▶ Questions are encouraged!

- ▶ Platinum Rule, treat others how they want to be treated

# Agenda

- ▶ Objective
- ▶ VA Resources/ServiceNow
- ▶ Lenders Appraisal Processing Program (LAPP) Overview
- ▶ Staff Appraisal Reviewer (SAR) Requirements
- ▶ Appraisal Process, Chapter 10
- ▶ Appraisal Report, Chapter 11
- ▶ Minimum Property Requirements, Chapter 12
- ▶ Notice of Value, Chapter 13
  - Appraisal Processing and Notice of Value Discussion
- ▶ Question and Answer Discussion
- ▶ Closing Remarks

# Objective and Resources

The purpose of this training is to provide the necessary tools and knowledge required to review VA LAPP appraisals and issue the Notice of Value (NOV) independently.

## Gov Delivery

- ▶ [Veterans Benefits Administration \(govdelivery.com\)](http://govdelivery.com)

## Local Requirements

- ▶ [https://www.benefits.va.gov/HOMELOANS/appraiser\\_cv\\_local\\_req.asp](https://www.benefits.va.gov/HOMELOANS/appraiser_cv_local_req.asp)

## VA Home Loan Circulars

- ▶ [https://www.benefits.va.gov/HOMELOANS/resources\\_circulars.asp](https://www.benefits.va.gov/HOMELOANS/resources_circulars.asp)

## Fee and Timeliness Schedule

- ▶ [https://www.benefits.va.gov/HOMELOANS/appraiser\\_fee\\_schedule.asp](https://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp)

## Lenders Handbook

- ▶ [https://www.benefits.va.gov/WARMS/pam26\\_7.asp](https://www.benefits.va.gov/WARMS/pam26_7.asp)

# ServiceNow

**VA Loan Guaranty** Welcome, KAREN  
Help | Sign Out

SIM

WebLGY

SAR TPSS Training

Loan Guaranty Reports

Sign up for LGY Communications

### Announcements

[2/17/2023: LGY 23.4.0 Release Notification](#)

[2/13/2023: LGY Q2 Technology Satisfaction Survey](#)

[2/7/2023: Deactivation of Inactive LGY Hub Accounts](#)

### Builder Report

Maximize for more search options

Name (optional) State

- Select -

**Submit**

### Condo Report

Maximize for more search options

Name (optional) State

- Select -

**Submit**

### Guaranty Percentage Calculator

Maximize the calculator for a full calculation

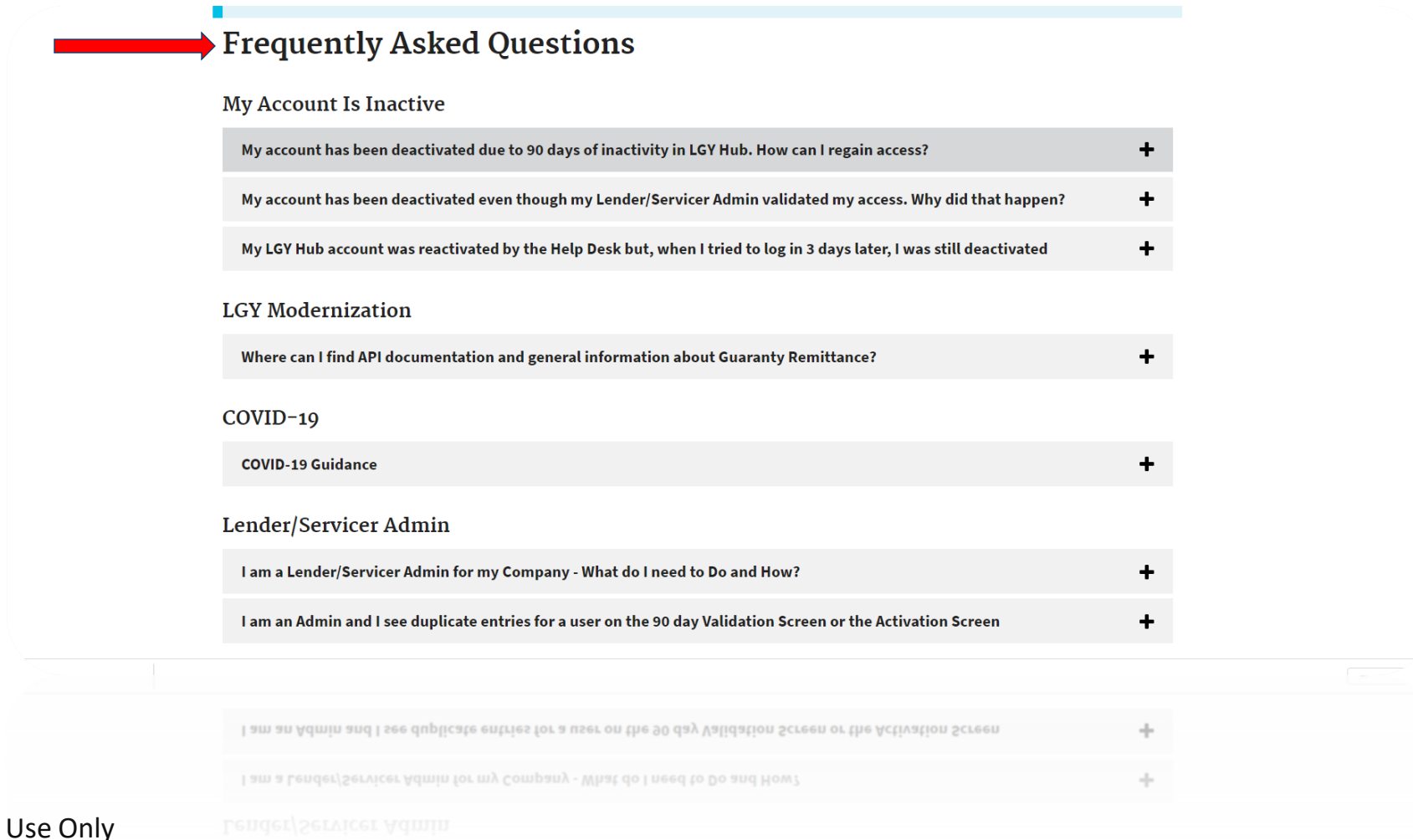
State ? - Select -

County ? - Select -

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The logo for Loan Guaranty Service, featuring a stylized house icon above the text "LOAN GUARANTY SERVICE".

# ServiceNow



**Frequently Asked Questions**

**My Account Is Inactive**

- My account has been deactivated due to 90 days of inactivity in LGY Hub. How can I regain access? +
- My account has been deactivated even though my Lender/Service Admin validated my access. Why did that happen? +
- My LGY Hub account was reactivated by the Help Desk but, when I tried to log in 3 days later, I was still deactivated +

**LGY Modernization**

- Where can I find API documentation and general information about Guaranty Remittance? +

**COVID-19**

- COVID-19 Guidance +

**Lender/Service Admin**

- I am a Lender/Service Admin for my Company - What do I need to Do and How? +
- I am an Admin and I see duplicate entries for a user on the 90 day Validation Screen or the Activation Screen +

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# ServiceNow

How do I contact my VA Regional Loan Center +

New Credit Standards link +

How do Appraisers update license information, availability for appraisal assignments, or changes needed regarding cases? +

What happens when I submit a Help Ticket +

How do I find the Condo or Builder search +

Submit a Help Ticket - gives green boxes on submitting 1st ticket - why does it do that? +

Want to contact us? No problem.

We notice you are not logged in. If you have a current working ID.me account where you can successfully log on, please click "I have an ID.me account" if you want to logon and have the full Help Desk ticket experience where you can submit tickets as yourself and see current and past tickets. If not, click "Submit help ticket anonymously" to enter a help ticket as a guest user.

I have an ID.me account Submit help ticket anonymously

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# ServiceNow

**VA Loan Guaranty**

Help | [Sign In or Register for New Account](#)

[2/17/2023: LGY 23.4.0 Release Notification](#)

**Loan Guaranty:**  
**[lgy.va.gov](#) is now open for business**

After registering with AccessVA, you will be able to work in the new Loan Guaranty site

Public tools for Guaranty Calculator, Builder Search, Condo Report and other links can be found at the bottom the page and used without LGY HUB registration.

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### **LGY Hub User Guide**

Start with the [user guide](#) to get more information about LGY Hub!

## Frequently Asked Questions

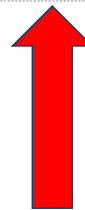
No questions yet

Want to contact us? No problem.

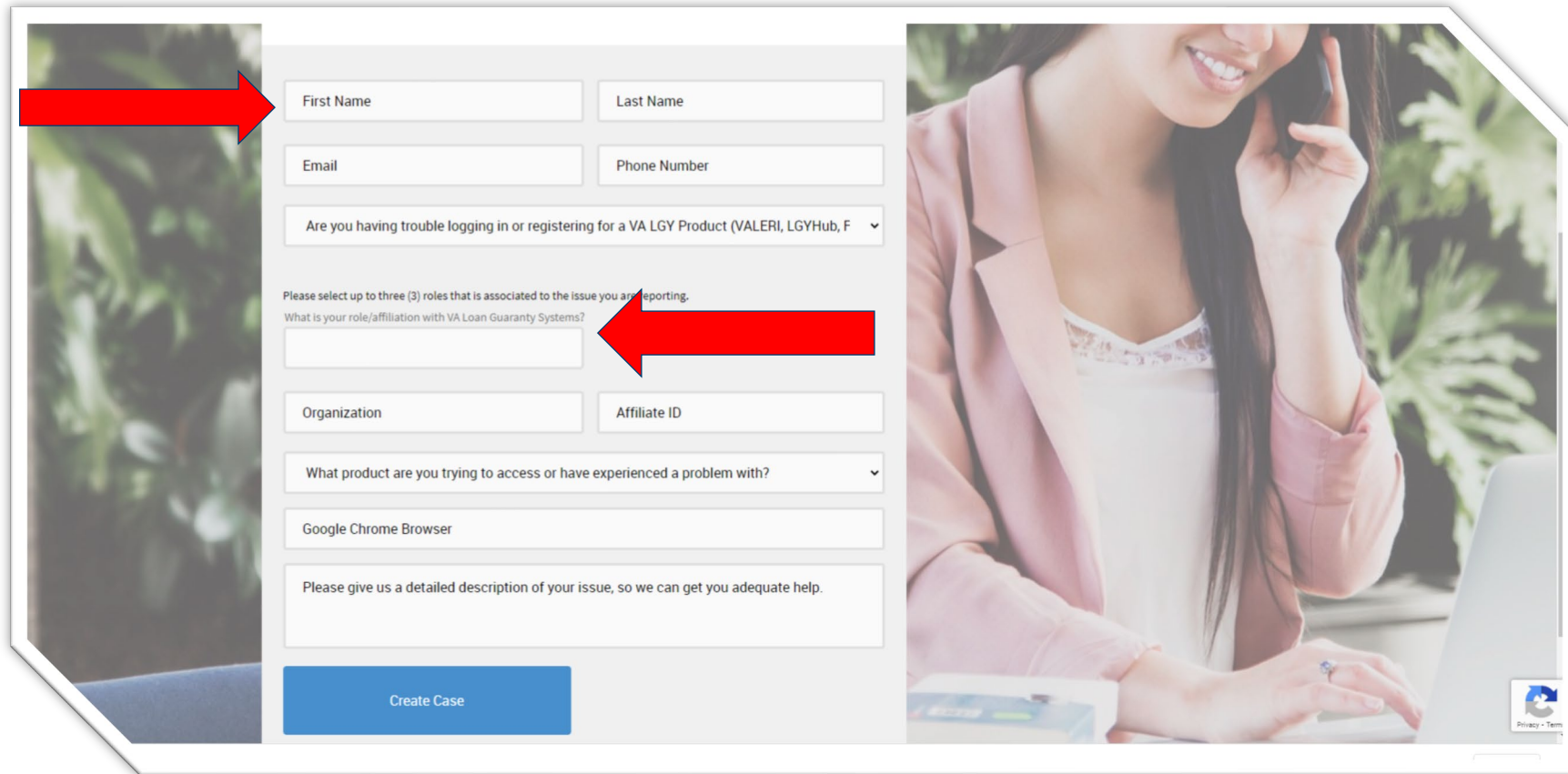
We notice you are not logged in. If you have a current working ID.me account where you can successfully log on, please click "I have an ID.me account" if you want to logon and have the full Help Desk ticket experience where you can submit tickets as yourself and see current and past tickets. If not, click "Submit help ticket anonymously" to enter a help ticket as a guest user.

[I have an ID.me account](#)

[Submit help ticket anonymously](#)



# ServiceNow



The image shows a ServiceNow case creation form overlaid on a background image of a woman in a pink blazer talking on a mobile phone. The form is a light gray box with white input fields and a blue 'Create Case' button. Two red arrows point to specific fields: one points to the left side of the form, and the other points to the 'What is your role/affiliation with VA Loan Guaranty Systems?' field.

First Name  Last Name

Email  Phone Number

Are you having trouble logging in or registering for a VA LGY Product (VALERI, LGYHub, F)

Please select up to three (3) roles that is associated to the issue you are reporting.  
What is your role/affiliation with VA Loan Guaranty Systems?

Organization  Affiliate ID

What product are you trying to access or have experienced a problem with?

Google Chrome Browser

Please give us a detailed description of your issue, so we can get you adequate help.

[Privacy](#) [Term](#)

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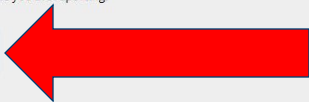
# ServiceNow

First Name  Last Name

Email  Phone Number

Are you having trouble logging in or registering for a VA LGY Product (VALERI, LGYHub, F)

Please select up to three (3) roles that is associated to the issue you are reporting.  
What is your role/affiliation with VA Loan Guaranty Systems?



- Appraiser
- Inspector
- Lender
- Other requestor
- SAPP SAR
- SAR**
- Servicer
- VA Central Office
- VA RLC

Organization  Affiliante ID

What product are you trying to access or have experienced a problem with?

Google Chrome Browser

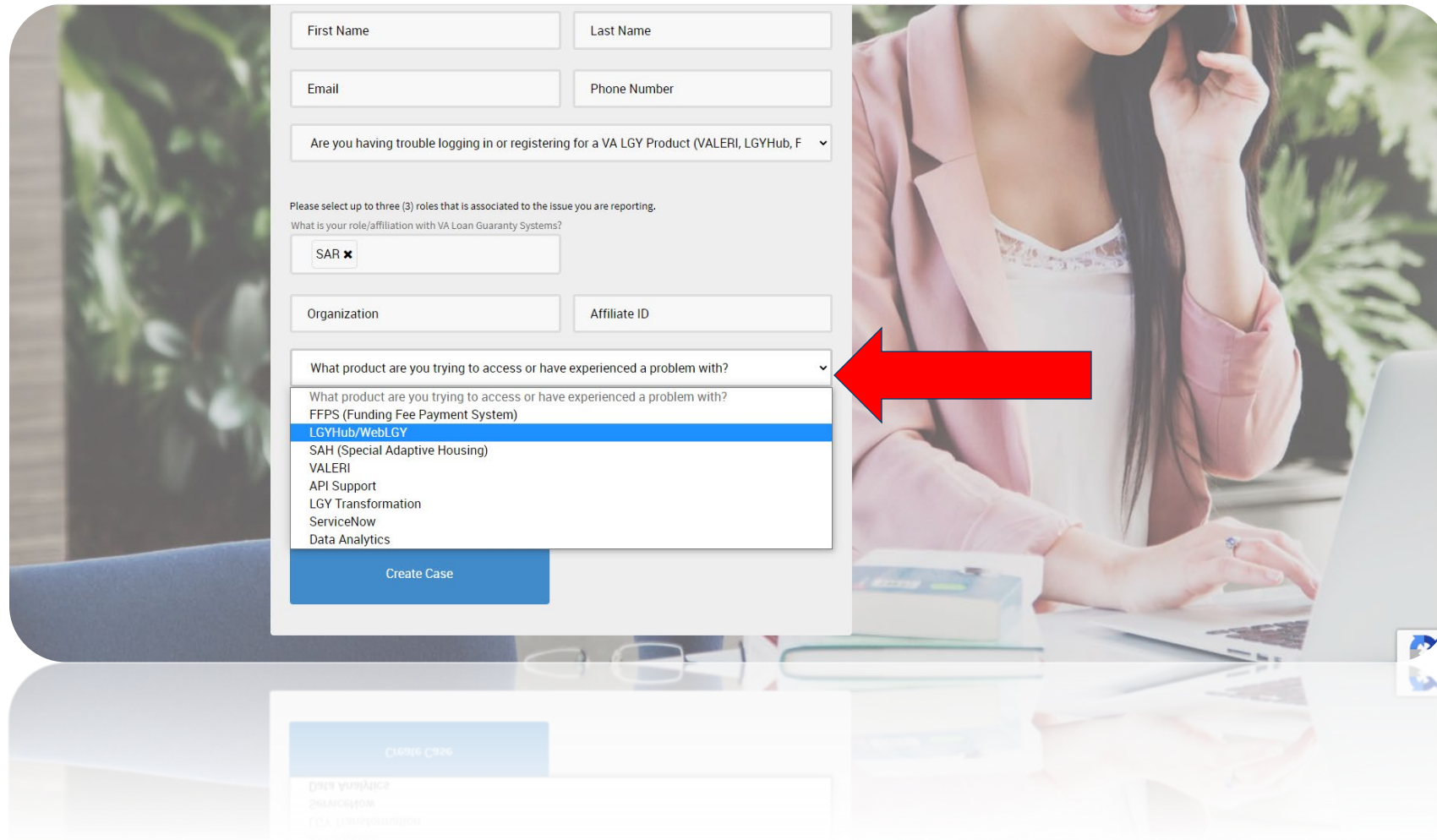
Please give us a detailed description of your issue, so we can get you adequate help.

[Show all](#)

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# ServiceNow



First Name  Last Name

Email  Phone Number

Are you having trouble logging in or registering for a VA LGY Product (VALERI, LGYHub, F )

Please select up to three (3) roles that is associated to the issue you are reporting.  
What is your role/affiliation with VA Loan Guaranty Systems?

SAR

Organization  Affiliate ID

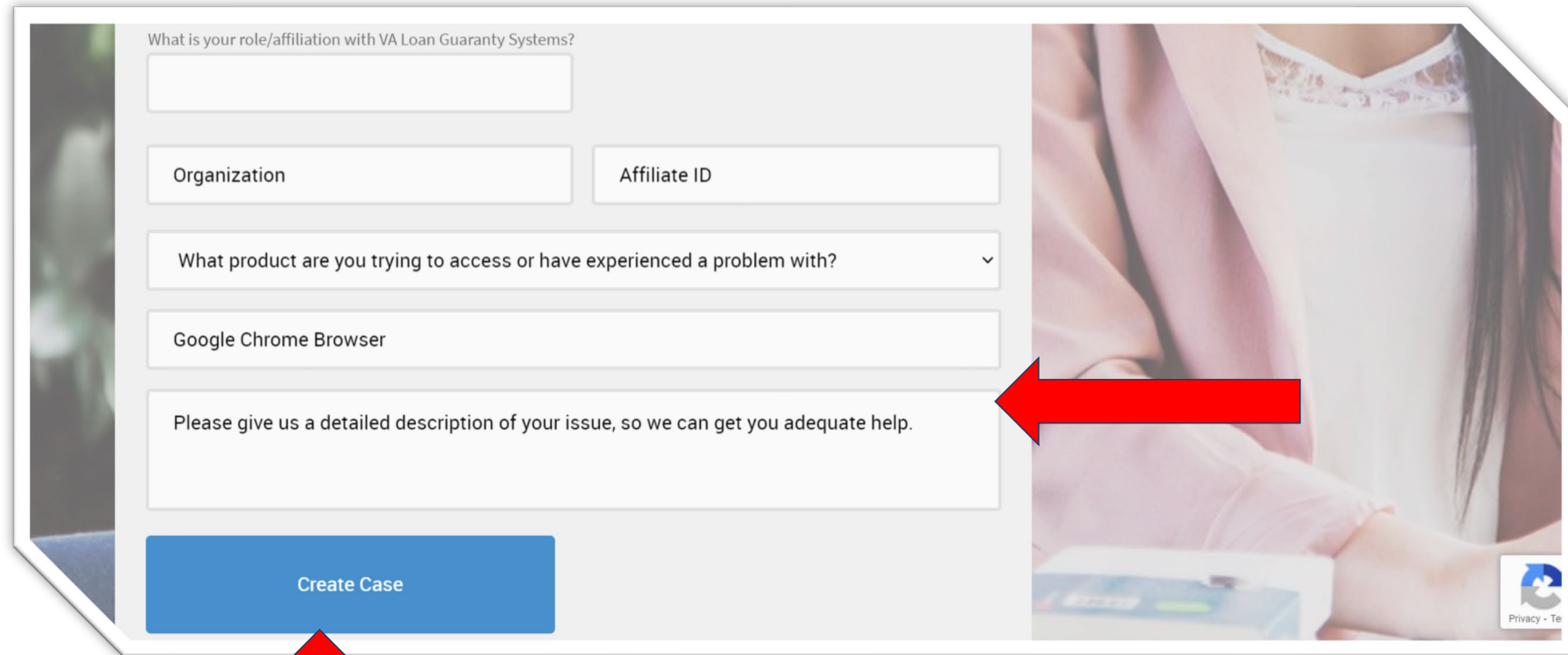
What product are you trying to access or have experienced a problem with?

- What product are you trying to access or have experienced a problem with?
- FFPS (Funding Fee Payment System)
- LGYHub/WeblGY**
- SAH (Special Adaptive Housing)
- VALERI
- API Support
- LGY Transformation
- ServiceNow
- Data Analytics

Create Case

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# ServiceNow



What is your role/affiliation with VA Loan Guaranty Systems?

Organization  Affiliate ID

What product are you trying to access or have experienced a problem with?

Google Chrome Browser

Please give us a detailed description of your issue, so we can get you adequate help.

Privacy - Te

Upon creating a case, you will receive an email from [Yourit@va.gov](mailto:Yourit@va.gov). If an email is not received, check your spam folder and/or junk folder.

# SAR Support Pro-Tip

If you cannot issue an NOV because the SAVE/Issue NOV link is missing in WebLGY, here's a fix....



- Log into LGY Hub
- Click on “My Profile” (Your name in the upper right of the screen)
- Click on Affiliate Information
- Check the Lender Box (enter Lender ID number, should end in four zeros)
- Check the LAPP/SAPP SAR box (enter SAR ID, six digits)
- Click the “Save” button
- Log out/Log back in

# Lender's Appraisal Processing Program (LAPP)

## Lenders Handbook, Chapter 15

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# LAPP Program

## 38 CFR 36.4347 Lender Appraisal Processing Program

- ▶ (a) Delegation of authority to lenders to review appraisals and determine reasonable value.
  - (1) To be eligible for delegation of authority to review VA appraisals and determine the reasonable value of properties to be purchased with VA-guaranteed loans, a lender must -
    - (i) Have automatic processing authority under 38 U.S.C. 3702(d), and
    - (ii) Employ one or more staff appraisal reviewers acceptable to the Secretary.

# LAP Program

## 38 CFR 36.4347 (2)

- To qualify as a lender's staff appraisal reviewer, an applicant must be a full-time member of the lender's permanent staff.
- Three years of experience is necessary to qualify as a lender's staff appraisal reviewer.
- That experience must demonstrate a knowledge of, and the ability to apply industry-accepted principles, methods, practices and techniques of appraising, and the ability to competently determine the value of property within a prescribed geographical area. The individual must demonstrate the ability to review the work of others and to recognize deviations from accepted appraisal principles, practices, and techniques; errors in computations, and unjustifiable and unsupportable conclusions.

# LAPP Overview

## Lender Appraisal Processing Program

- ▶ Expedites appraisal process
- ▶ Speeds time to loan closing
  - Lender orders appraisal online
  - Appraisal is uploaded into WebLGY by an appraiser
  - SAR retrieves an appraisal from WebLGY
  - SAR reviews an appraisal, Appraisal Management System (AMS), and issues NOV in WebLGY
  - Lender closes loan

# SAR

- ▶ What are the requirements for SAR approval?
  - Must be an employee of a VA-approved lender
  - Three years of general appraisal review experience
  - General appraisal knowledge
  - Direct Endorsement (DE) Underwriter, if applicable

○ Source: Lender's Handbook Chapter 15/CFR 36.4347

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# SAR, Continued

## ▶ How does a lender nominate an employee to become a SAR?

- Nomination by senior officer
- Submit VA Form 26-0785
- Processing fee \$100 (per nominee)
- Current resume or work demonstrating 3 years experience statement

## ▶ Transferring SARs

- Notify VA if a SAR has ended employment or is no longer functioning as a SAR
- Transfers require an application and fee
- Request waiver of training requirement for active SARs
- Transferring SAR must receive a letter prior to issuing NOVs
- Source: Lender's Handbook, Chapter 15

# VA Form 26-0785 Page 1

OMB Control No. 2900-0658  
Respondent Burden: 5 Minutes  
Expiration Date: 06/30/2024

**Department of Veterans Affairs**

**LENDER'S STAFF APPRAISAL REVIEWER (SAR) APPLICATION**

**PRIVACY ACT NOTICE:** VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 38, Code of Federal Regulations 1.576 for routine uses (for example: Authorize release of information to Congress when requested on how many Lenders and/or SARs are participating in LAPP) as identified in the VA system of records, 17VA26, Loan Guaranty Fee Personnel and Program Participant Records - VA, and published in the Federal Register. Your obligation to respond is mandatory. Giving us your SSN account information is mandatory. Applicants are required to provide their SSN under 38 U.S.C. 3702 (d). The VA will not deny an individual benefits for refusing to provide his or her SSN unless the disclosure of the SSN is required by a Federal Statute of law in effect prior to January 1, 1975, and still in effect.

**RESPONDENT BURDEN:** We need this information to determine your acceptability to participate in the VA Lender Appraisal Processing Program (LAPP) as a Lender Staff Appraisal Reviewer (SAR) 38 U.S.C. 3702 (d) and 38 CFR 36.4347. Title 38, United States Code, allows us to ask for this information. We estimate that you will need an average of 5 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at [www.reginfo.gov/public/do/PRAMain](http://www.reginfo.gov/public/do/PRAMain). If desired, you can call 1-800-827-6842 to get information on where to send comments or suggestions about this form.

**IMPORTANT:** Please type or print. Must be legible.

**SECTION I - STAFF APPRAISAL REVIEWER (SAR) NOMINEE**

1. NAME		2. SOCIAL SECURITY NUMBER	
3. RESIDENTIAL ADDRESS			
4. BUSINESS NAME AND ADDRESS (WHERE SAR LOCATED)			
5. BUSINESS TELEPHONE NUMBER (Include area code)		6. 10-DIGIT VA LENDER ID FOR OFFICE WHERE REVIEWER LOCATED	
7. FAX NUMBER (Include area code)		8. E-MAIL ADDRESS	

**STAFF APPRAISAL REVIEWER NOMINEE'S STATEMENTS AND CERTIFICATIONS:**

**PREVIOUS LAPP APPROVAL -** If I was previously approved by VA as a LAPP Staff Appraisal Reviewer (SAR), the SAR ID number assigned is \_\_\_\_\_.

**DISCLOSURE OF SANCTIONS -** I have not been suspended, debarred or had a similar sanction taken against me by any Federal or State entity or any professional organization. I am not aware of any unresolved investigation involving me. Any potential problem regarding this disclosure has been submitted to VA, and a letter from VA indicating that the problem is resolved is attached.

**CONFLICTS OF INTEREST -** As a LAPP staff appraisal reviewer, I understand that I may not be employed by or perform appraisal review services for any other lender and may not be on the VA fee panel. I agree to report to VA any private interests or pursuits which might be considered by VA to be a conflict of interest.

**APPRAISAL REVIEW EXPERIENCE -** As indicated in the attached resume, or statement of work experience or evidence of HUD Direct Endorsement participation, I have the requisite experience outlined in chapter 15 of the VA Lender's Handbook.

**APPRAISAL REPORT REVIEWS -** I understand that all staff appraisal reviews made for VA loan guaranty purposes must be completed in accordance with the requirements in chapter 13 of the VA Lender's Handbook. I also understand that no pressure or influence is to be exerted on the appraiser to remove or change valid appraisal report information, or to reach a predetermined value for a property.

**I CERTIFY THAT** my signature below affirms that the information I am providing in all of the above statements and certifications is accurate and true, to the best of my knowledge.

9. SIGNATURE OF STAFF APPRAISAL REVIEWER (Sign in Ink)		10. DATE SIGNED (MM/DD/YYYY)	
--	--	------------------------------	--

Box 1. SAR/Nominee's full name

Box 2. Social Security Number (SSN)

Box 4. Lender's Name and Address

Box 5. Business Telephone

Box 6. 10-digit Lender ID number

Enter 6-Digit SAR ID or N/A

Box 8. Email address of the SAR/nominee

SAR/nominee Signature

<https://www.va.gov/find-forms/>

Current Date

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VA FORM 26-0785  
JUN 2021

SUPERSEDES VA FORM 26-0785, DEC 2020,  
WHICH WILL NOT BE USED.

(Continued on Reverse)



# VA Form 26-0785 Page 2

Boxes 11 - 13 The full name, title, and address and contact info of the person responsible for the SAR's work (Quality Control)



SECTION II - OFFICER RESPONSIBLE FOR QUALITY OF APPRAISAL REVIEWER'S WORK	
11. FULL NAME AND TITLE	
12. BUSINESS NAME AND ADDRESS	
13. BUSINESS TELEPHONE NUMBER	
SECTION III - SENIOR LENDING OFFICER	
<b>SENIOR LENDING OFFICER'S STATEMENTS AND CERTIFICATIONS:</b>	
STAFF APPRAISAL REVIEWER NOMINATION - The nominee is a full-time salaried employee of this company and is authorized to act on our behalf as a staff appraisal reviewer. Based on our personal interview with the nominee and a thorough review of the nominee's appraisal-related capabilities and performance, we find the nominee to be qualified as a staff appraisal reviewer in accordance with the requirements in chapter 15 of the VA Lender's Handbook. We acknowledge the responsibility that any improper actions of the nominee as a staff appraisal reviewer shall be imputed to the employer. We agree to promptly notify the appropriate VA office(s) if we ever change or limit this recommendation, or terminate our relationship with the nominee.	
PROCESSING FEE - The \$100 processing fee for this nominee is attached.	
PROPERTIES ALREADY VALUED - Unless VA grants authorization for a specific case, this company will not knowingly request an appraisal for a property which already has a valid value determination for VA loan purposes.	
NO APPRAISAL REVIEWS FOR AFFILIATES - This company will not use LAPP for any builder, land developer, real estate broker or other entity which it owns or has a financial interest in, or with which it is otherwise affiliated. We realize that this restriction does not apply if our only relationship with a builder is a construction loan, or if VA agrees that the attached formal corporate agreement or other documentation demonstrates that we and our affiliate(s) are essentially separate entities operating independently of one another, free of all cross influences. In this latter situation, our quality control plan addresses the insulation of the fee appraiser, staff appraisal reviewer and the underwriter from the influence of the affiliate.	
NO APPRAISAL REVIEWS FOR/FROM OTHER LENDERS - Although appraisal reports may be transferred from one lender to another, this company will not make VA value determinations for other mortgage lenders, nor use a value determination for VA loan guaranty purposes which was made by another mortgage lender, under any circumstances.	
NO PRESSURE/INFLUENCE ON FEE APPRAISER OR STAFF APPRAISAL REVIEWER - This company will not exert pressure or influence on the fee appraiser or staff appraisal reviewer to remove or change valid appraisal report information, or to reach a predetermined value for a property.	
QUALITY CONTROL SYSTEM - This company has an effective quality control or other system to ensure the adequacy and quality of its staff appraisal reviews. That system contains all of the basic elements identified in chapter 15 of the VA Lender's Handbook.	
I CERTIFY THAT my signature below affirms that the information I am providing in all of the above statements and certifications is accurate and true, to the best of my knowledge.	
14. SIGNATURE AND TITLE OF SENIOR OFFICER <i>(Sign in ink)</i>	15. DATE SIGNED <i>(MM/DD/YYYY)</i>

Box 14. Signature and title of the senior officer of the company



Box 15. Current Date



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# Submitting an application

## ▶ Where should the application be sent?

Department of Veterans Affairs

Administrative and Loan Accounting Center (105/241A)

Attn: Agent Cashier

1615 Woodward Street

Austin, TX 78772-001

○ SAR application submission information can be found here:

[https://www.benefits.va.gov/homeloans/appraiser\\_sar\\_application.asp](https://www.benefits.va.gov/homeloans/appraiser_sar_application.asp)



# VA Review Process

- ▶ What happens during the review process?
  - VA will review the application and resume.
  - VA will contact the lender if additional information is needed to determine eligibility for new SARs.
  - Transfers will be processed based on active status.
  - If the SAR was not active for 12 months, the status will revert to preliminary approved.

# After the VA Review

- ▶ What happens when a SAR receives approval?
  - Preliminary approval letter requires training
    - Online training available
    - Five satisfactory test cases/case assessments
- ▶ What happens when LAPP training is complete?
  - Submit the Certificate of Completion to ([SARSupport.vbaco@va.gov](mailto:SARSupport.vbaco@va.gov))
  - The final approval letter will be sent by email to SAR and lender point of contact.
  - The lender must notify SAR Support if a SAR is no longer employed or is no longer functioning as a SAR for the lender.

# SAR Training

- The new LAPP SAR training will be available online.
- The SAR must be approved and have a six-digit ID number.
- Underwriter approval only is not acceptable, must be approved as a LAPP SAR.

**SAR 2023**

**Welcome**

Welcome to the Department of Veteran Affairs (VA) Staff Appraisal Reviewer (SAR) training. This online training is presented by Loan Guaranty Service (LGY). The SAR training consists of five training lessons and a final assessment. You must score an 80% or higher on the final assessment to obtain a certificate of completion and receive final approval to be an authorized SAR on VA loans. This portal provides access to and tracks completion of the mandated SAR training.

[SAR Training - Click Here](#)

VA SAR training is a no cost, self-directed, online training course, which uses web-based interactive technology to teach VA appraisal processing under the Lender Appraisal Processing Program (LAPP). The training will be used as a stand-alone course and will provide practice on tasks which SARs typically perform to include instruction on reviewing VA appraisals, contacting VA Fee Appraisers and VA staff to address or resolve issues or problems, and issuing Lender Notices of Value (NOVs). The online course will incorporate the completion of five modules along with an assessment to receive certification.

[SAR Review Only Mode - Click Here](#)

Once you have completed a course, you may then access that course in review mode. Review mode may be used as refresher training to review certain modules or materials. Review mode DOES NOT produce completion certificates and DOES NOT qualify for official training to obtain SAR certification.

235 day(s) left to complete SAR 2023

**Getting Started**

All lessons must be completed in sequential order. To get started, select the Begin button on lesson 1. Example: you may not begin lesson 2 until lesson 1 has been fully completed. Once you complete a lesson, you will see the next lesson's Begin button turn green. New SARs must complete the training lessons and pass the final assessment before being granted authorization to perform SAR duties. Current SARs may take the training when needed as a refresher course. Note: within each lesson, there may be multiple items on a single slide. You MUST click and review each item to fully complete the lesson.

**Instructions**

After completing the training modules and passing the final assessment, you will receive a Certificate of Completion. Please save and email the certificate to SARSupport.vbaco@va.gov. Please include your SAR ID in the email along with the certificate. Once received, LGY will contact you with further instructions and details.

**Your Profile**

It is important that this information is current and correct!

First Name \* Charlene

Middle Name

Last Name \* Bogle

Location \* Georgia (11)

SAR ID \* 222222

Save Changes

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# Learning Check

## ▶ SAR requirements

- How many years of experience is required?
- How does a lender nominate a SAR?
- What documents should be part of the application package?
- What should a SAR do after receiving preliminary approval?
- What happens when a SAR receives their Final Approval letter?

# Appraisal Process

## Lenders Handbook, Chapter 10

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# Properties Eligible for an Appraisal

- ▶ Existing Construction
  - Properties that have been complete for over 1 year
  - Properties that are less than 1 year and previously occupied

▶ Source: Chapter 10, Topic 9b

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# Properties Eligible for an Appraisal

## ▶ New Construction

- Properties that have NOT been previously occupied and less than 1-year old



▶ Source: Chapter 10, Topic 9c

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# Properties Eligible for an Appraisal

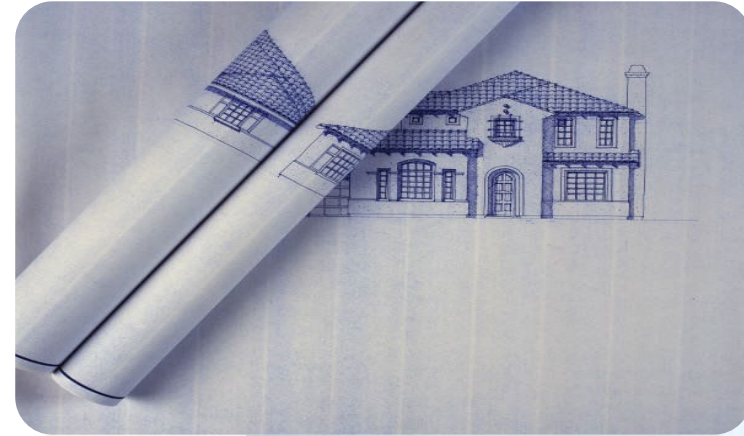
## ▶ Proposed Construction & Under Construction

- Properties appraised from plans and specifications
- Manufactured homes to be placed on a permanent foundations

▶ Source: Chapter 10, Topic 9d

▶ Source: Chapter 10, Topic 9

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# Properties Eligible for an Appraisal

## ▶ Proposed Construction & Under Construction cont.

- Construction exhibits MUST include the following:
  - Survey or plot plan
  - Plans sufficient to allow the appraiser to establish market value
  - Foundation or basement plan
  - Exterior elevations
  - Wall section
  - VA Form 26-1852, Description of Materials, HUD Form 92541

▶ Source: Chapter 10, Topic 12

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# Properties Eligible for an Appraisal

## Certification of Exhibits

- ▶ “I hereby certify that the information contained in [specific identification for all construction exhibits, (for example, Smith Construction Plan Type A, 9 sheets, VA Form 26-1852, Description of Materials, plot plan by Jones, Inc.)], was used to arrive at the estimate of reasonable value noted in this report.”
  - Appraiser determines which exhibits will be necessary
  - Appraiser will determine the scope of work and whether certain documents will be needed to complete their assignment

▶ Source: Chapter 10, Topic 12 and 17

# Properties Eligible for an Appraisal

- ▶ Properties Sold by Lenders/Real Estate Owned (REO)
  - Must meet VA minimum property requirements (MPRs)
  - Cannot process under LAPP
  - Appraisal must be ordered as IND
  - VA issues NOV



▶ Source: Chapter 10, Topic 9e

# Properties Eligible for an Appraisal

## ▶ Manufactured homes

- Classified as real property
- Meets HUD manufactured home construction and safety standards
- Prior to 1976 will not be accepted by VA
- Lenders are encouraged to check ITBS.org



▶ Source: Chapter 10, Topic 9h & Chapter 12 Topic 41

# Properties Eligible for an Appraisal

## ► Modular Homes

- Must meet all state and local building codes
- On-frame modular housing is factory built on a permanent chassis
- The appraisal will be on the same FNMA form as SFR. Appraisers are expected to use site built homes as comparable if the market does so.



► Source: Chapter 10, Topic 9i & Chapter 12 Topic 42

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# Properties Eligible for an Appraisal

## ► Condominiums

- The development must be accepted by VA before the loan is guaranteed
- Condo ID issued by VA
- Waiver requests from the Veteran should be submitted to VA



► Source: Chapter 10, Topic 9j

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# Properties Eligible for an Appraisal

## ▶ Leaseholds

- Property involving less than fee simple ownership
- Must be approved by VA before an NOV is issued

## ▶ Properties in PUDS

## ▶ Properties to be Improved

## ▶ Special Flood Hazard Areas (SFHAs), if flood insurance is available

## ▶ Properties that are the security for an existing VA-guaranteed loan

▶ Source: Chapter 10, Topic 9k & 9l

# Properties Not Eligible for an Appraisal

- ▶ Lender's responsibility
- ▶ Lenders must determine at the earliest possible opportunity that a property is not eligible for an appraisal.

▶ Source: Chapter 10, Topic 10



# Properties Not Eligible for an Appraisal

- ▶ Properties in the following locations are not eligible:
  - Airport Clear Zone
  - Lava Flow Zones 1 and 2
  - Coastal Barrier Resources System (CBRS)
  - SFHA if flood insurance is not available
  - Area subject to regular flooding

▶ Source: Chapter 10, Topic 10b

# Properties Not Eligible for an Appraisal

- ▶ Properties in the following locations are not eligible:
  - Transmission line easement involving high-pressure gas, liquid petroleum or high voltage electricity
  - Geological or soil instability (new and proposed construction)

▶ Source: Chapter 10, Topic 10b; Chapter 12, Topic 7

▶ Chapter 12, Topic 39

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# Properties Not Eligible for an Appraisal

- ▶ Properties in the following situations are not eligible:
  - Property does not comply with zoning
  - Non-residential property
  - Cases where no construction inspections done
  - Condo-hotel properties (Condotels)

▶ Source: Chapter 10, Topic 10c

# Properties Not Eligible for an Appraisal

- ▶ Properties in the following situations are not eligible:
  - Government-wide debarment
  - Excluded from participation in the Loan Guaranty program due to a VA sanction.
    - Sanctions usually involve construction complaints or unfair marketing practices.

▶ Source: Chapter 10, Topic 10c

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# Sales Contract

- ▶ Requester must upload a copy of the contract
- ▶ Appraiser must analyze all sales contracts, options or listings of the subject property if the sales contract is available.
- ▶ If the sales contract is amended, the lender must determine if the change could affect the estimated value.

▶ Source: Chapter 10, Topic 3

# Market Data (Tidewater)

- ▶ Notification to the appraiser – 2 business days
- ▶ Lender should provide the following data:
  - street address,
  - sales price,
  - date of sale,
  - gross living area,
  - any other information

▶ Source: Chapter 10, Topic 8

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# Market Data (Tidewater), Continued

- ▶ If market data is submitted, the appraiser will note in the appraisal that this procedure was followed and include the following:
  - street address of each sale submitted,
  - whether or not each sale was considered, if not, the reason, and
  - the effect of the data, if any, on the opinion of value.
- ▶ If no market data is submitted after two business days, the appraiser will note that Tidewater was followed and complete the appraisal.



▶ Source: Chapter 10, Topic 8

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# Reconsideration of Value

## Written Request

- ▶ After the NOV is issued, the Veteran is to make a request in writing.

## Supporting Data

- ▶ The party requesting reconsideration must provide supporting data such as market data or additional information related to the subject property.

## Review by VA staff

- ▶ VA staff will review the appraisal report & additional submitted data.

- ▶ Source: Chapter 10, Topic 22



# Repair Inspection

## ► Repair Inspections

- Repairs/alterations/improvements on existing properties
- Confirm that construction was completed in accordance with the certified construction
- Post construction inspection to confirm construction was completed in accordance with certified construction exhibits upon which the appraised value was based
- Lender certification

► Source: Chapter 10, Topic 23

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# Repair Inspection Reports

- ▶ Contact C&V for another appraiser if needed
- ▶ The lender should notify C&V to have another appraiser assigned
- ▶ Original appraiser to complete the final as they are the ones with the plans and specifications, so plan accordingly

▶ Source: Chapter 10, Topic 23

# Request to Change Lenders

- ▶ The original lender must transfer the appraisal if the Veteran requests it in writing.
- ▶ The SAR of the original lender can transfer the appraisal in WebLGY.
- ▶ The new lender must inform the Veteran via letter.
- ▶ New lender must issue the new NOV in WebLGY.
- ▶ If the new lender is not LAPP, contact the C&V for assistance.

▶ Source: Chapter 10, Topic 26

# Assisted Appraisal Processing Program (AAPP)

- ▶ Allows the appraiser to have someone authorized to perform appraisal services complete the inspection.
- ▶ Lender must approve the use of AAPP when placing the appraisal order.
- ▶ Appraiser must indicate whether they intend to use AAPP when accepting the appraisal order.

# Learning Check

- ▶ Name three eligible property types
- ▶ Name three properties types not eligible
- ▶ Within how many days from Tidewater should market data be submitted to the appraiser?
- ▶ If a Veteran requests to switch lenders, what should the SAR do?
- ▶ When can an ROV be requested?
- ▶ For new and existing properties, what type of certification can a lender do for repairs?

# Appraisal Report

## Lenders Handbook, Chapter 11

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# Uniform Standards of Professional Appraisal Practice (USPAP)

## ► What is USPAP?

- USPAP contains the generally accepted standards for professional appraisal practice in North America, as developed by the Appraisal Standards Board (ASB) of the Appraisal Foundation.
- Lenders and their SARs are expected to be familiar with USPAP.

## ► The VA fee appraiser must prepare the report in accordance with USPAP and VA requirements.

► Source: Chapter 11, Topic 1

# Appraisal Requirements

- ▶ The appraiser must include 3 closed sales.
  - ▶ Sales should be preferably within the last 6 months, and generally sales that are not more than 12 months old.
  - ▶ In most cases, the appraiser can only recommend a repair, not an inspection.
  - ▶ Sales data verified by closed transactions.
  - ▶ No set minimum or maximum distance requirements.
  - ▶ May use sales of Real Estate Owned (REO) properties or short sales, if prevalent in the market.
- ▶ Source: Chapter 11, Topic 14 and 18



# Appraisal Report Contents

- ▶ Invoice

- ▶ Appraisal Form

- Lender's name and "Department of Veterans Affairs" must be provided in the Lender/Client field on form

- ▶ Street Map

- ▶ Building Sketch

- ▶ Photographs

- ▶ Repair List

- ▶ Uniform Appraisal Dataset

- ▶ Appraiser's Certifications

▶ Source: Chapter 11, Topic 3

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# Appraisal Report Contents

## ▶ Appraisal Forms Accepted by VA

- Fannie Mae Form 1004, Uniform Residential Appraisal Report
- Fannie Mae Form 2055, Exterior-Only Inspection Residential Appraisal Report
- Fannie Mae Form 1004c, Manufactured Home Appraisal Report
- Fannie Mae Form 1073, Individual Condominium Unit Appraisal Report
- Fannie Mae Form 1075 Exterior-Only Inspection Individual Condominium Unit appraisal Report
- Fannie Mae Form 1025, Small Residential Income Property Appraisal Report

▶ Source: Chapter 11, Topic 3

# Condominiums

## Condominium Development Accepted by VA

- ▶ All condominium units must be located in a condominium development that has been accepted by VA prior to loan guaranty

## Avoid Unnecessary Appraisal Fee

- ▶ Ensure the condominium has been accepted by VA prior to ordering an appraisal.

## Appraisal Requirements

- ▶ In most cases, the appraiser will prepare the appraisal on Fannie Mae Form 1073, Individual Condominium Unit Appraisal Report.

- ▶ Source: Chapter 11, Topic 12

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# Condominiums

- ▶ VA no longer accepts HUD/FHA condominium approvals
- ▶ No spot approvals
- ▶ VA does not perform “spot” approvals of individual condominium units within a condominium development

▶ Source: Chapter 11, Topic 12

# Room Additions

## Gross Living Area (GLA) considerations

- ▶ accessible from the interior of the main dwelling in a functional manner
- ▶ has a permanent and sufficient heat source
- ▶ Similar in design, quality and appeal to the main dwelling.

▶ Source: Chapter 11, Topic 5

# Room Additions, Continued

## Non-GLA Areas Valued Separately

- ▶ Added space that does not meet the criteria of GLA must be valued separately on the market data grid
- ▶ The appraiser must consider the effect on marketability of an inferior addition

▶ Source: Chapter 11, Topic 5

# Remaining Economic Life

## ▶ Remaining Economic Life

- The estimated period of time until the improvements are expected to no longer service their intended purpose as a home.
- Typically, 30 years or more.

## ▶ The appraiser must comment if under 30 years.

- Remaining economic life must be provided in the cost approach section.
- The estimated remaining economic life must be provided in the “Reconciliation” section of the appraisal for condominiums.

▶ Source: Chapter 11, Topic 8

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# Effective Age

## ▶ Effective Age

- The effective age reflects the condition and functional utility of the property.
- The appraiser must state the effective age as a single number and include comments if the effective age different significantly from the actual age.

▶ Source: Chapter 11, Topic 9



# Uniform Appraisal Dataset (UAD)

- ▶ The UAD improves the quality and consistency of appraisal data by defining all fields required on specific appraisal forms and standardizes definitions and responses for a key of subset fields.

▶ Source: Chapter 11, Topic 13

# Sales Comparison Approach

- ▶ Three closed sales the appraiser believes are the best available sales.
- ▶ The appraiser must provide comments supporting the selection of sales.
- ▶ Comparable sales should be selected based on similar locational and physical characteristics, not sales price.
- ▶ Recent sales in the same established subdivision, condominium or PUD are the best indicators of value.
- ▶ VA does not set minimum or maximum distance of requirement between the subject and comparable sale properties.

▶ Source: Chapter 11, Topic 14

# Sales Comparison Approach, Continued

- ▶ The appraiser may use sales of REO properties or short sales if transactions of this nature are prevalent in the market.
- ▶ If the property is in a new subdivision or condominium, the appraiser should include, if available for comparison,
  - properties constructed by a completing builder in the subject market
  - properties within the subject subdivision

▶ Source: Chapter 11, Topic 14

# Sales Comparison Approach, Continued

- ▶ Time adjustments are made to reflect value changes in the market between the date of the contract for the comparable sales and the effective date of the appraisal.
- ▶ The appraiser must provide comments about current market trends to support any time adjustments.
- ▶ In an increasing market, positive market condition adjustments should be made if there is evidence based on a thorough analysis of specific market trends, of increasing prices, a shortage of homes for sale, or decreasing marketing times.
- ▶ In a declining market, negative market condition adjustments should be made if there is evidence of a decline in prices, an oversupply, or extended marketing times.

▶ Source: Chapter 11, Topic 14

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# Cost Approach

- ▶ The cost approach is not required for VA purposes but may be completed to supplement the indicated value in the sales comparison approach.

▶ Source: Chapter 11, Topic 15

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# Income Approach

- ▶ If appraising a residential income property with two to four units, the appraiser must prepare the appraisal on the Freddie Mac Form 72/Fannie Mae Form 1025, Small Residential Income Property Report, which includes an income approach.
- ▶ Typically used for two-to-four-unit properties.

▶ Source: Chapter 11, Topic 16

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# Final Reconciliation

- ▶ In the final reconciliation on the appraisal report, the appraiser will evaluate and summarize the approaches to value which were included in the appraisal report.
- ▶ The market approach will likely reflect the appraiser's final estimate of value since VA does not require cost approach and an income approach is only required on two-to-four-unit properties.

▶ Source: Chapter 11, Topic 17

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# Appraisal Conditions

- ▶ The appraisal will be prepared “as-is” if the appraiser finds the property meets MPRs on origination appraisals.
  - ▶ The appraisal will be prepared “subject to the following repairs or alterations on the basis of hypothetical condition that the repairs or alterations have been completed” if:
    - The appraiser recommends repairs are needed to meet MPRs
    - Alternations are being made to the property
  - ▶ Proposed construction properties will be appraised “subject to completion per plans and specifications.”
- ▶ Source: Chapter 11, Topic 18



# What Did We Learn?

- ▶ What is USPAP?
- ▶ What are the appraisal requirements?
- ▶ What should happen prior to loan guaranty for a condominium property?
- ▶ What type of comparable sales should the fee appraiser use?
- ▶ In what instance would an appraiser use the income approach? What form should they use?

▶ Source: Chapter 10

# 15-Minute Break



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# Minimum Property Requirements (MPRs)

## Lenders Handbook, Chapter 12

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# MPRs

- ▶ Safe, structurally sound, and sanitary.
- ▶ Space Requirements
- ▶ Each living unit must have sufficient space for:
  - living,
  - sleeping,
  - cooking and dining, and
  - sanitary facilities.
- ▶ Source: Chapter 12, Topic 1

# Access Requirements

- ▶ Street access
- ▶ Safe and adequate pedestrian or vehicular access
- ▶ Access for emergency vehicles
- ▶ Private road requirements
- ▶ Protected by a permanent easement
- ▶ Maintenance agreement is no longer required (Per Circular 26-22-17)

▶ Source: Chapter 12, Topic 4

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# Flood Zones

- ▶ Verification of flood zone
- ▶ Lenders are responsible for verifying the flood zone information.
- ▶ Flood zones
- ▶ SFHAs are usually designated Zones A, AO, AH, etc.
- ▶ Flood insurance is not required in Zones B, C, X, and D.

▶ Source: Chapter 12, Topic 8

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# Non-Residential Use

- ▶ The property is primarily for residential use.
- ▶ The non-residential use does not impair the residential character.
- ▶ The property contains no more than one business unit.
- ▶ The property is legally permitted and conforms to current zoning.
- ▶ No value may be given to the business operations or commercial fixtures in the appraisal.

▶ Source: Chapter 12, Topic 11

# Zoning

- ▶ Zoning compliance
- ▶ The property must comply with all applicable zoning ordinances.
- ▶ Legal, non-conforming use

▶ Source: Chapter 12, Topic 12



# Utilities

- ▶ Each living unit must have electricity for lighting and necessary equipment.
- ▶ The appraiser is not required to perform any checks of mechanical systems or appliances.
- ▶ The utilities are not required to be turned on when the appraiser visits the property.
- ▶ Any visible frayed or exposed electrical wires must be repaired.

▶ Source: Chapter 12, Topic 14

# Water Supply and Sanitary Facilities

- ▶ Water and sewer
- ▶ A continuous supply of safe and potable water for drinking, bathing, showering and sanitary uses
- ▶ Hot water
- ▶ Sanitary facilities, and
- ▶ A safe method of sewage disposal

▶ Source: Chapter 12, Topic 15



# Water Supply and Sanitary Facilities, Continued

- ▶ Appraisers must ensure that accurate water supply information is reported in the appraisal (public or private).
- ▶ Proper mitigation of lead contaminated water must include a central filtering system which filters all water that could serve the property's occupants.
- ▶ All testing must be performed by a disinterested third party.

▶ Source: Chapter 12, Topic 16

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# Individual Water Supply

## Conditions Requiring a Veteran's Signed Statement

- ▶ The appraiser must comment, and the Veteran must acknowledge awareness in writing when the water to the property is:
  - supplied by dug wells, cisterns, or holding tanks used in conjunction with water purchased and hauled to the site,
  - provided with a mechanical chlorinator,
  - provided through springs, lakes, rivers, sand-point or artesian wells, or supplied with a rainwater catchment system.

▶ Source: Chapter 12, Topic 16

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# Individual Water Supply, Continued

## Distance Requirements

- ▶ The appraiser must be familiar with the minimum distance requirements between private wells and sources of pollution.
- ▶ The appraiser is not required to sketch or note the distances.

## Connection Mandated by Local Authority

- ▶ The appraiser must prepare the appraisal “subject to” connection if required by local authority.

▶ Source: Chapter 12, Topic 16

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# Individual Sewage Disposal

## Individual Sewage Disposal

- ▶ An individual sewage disposal system must adequately dispose of all domestic wastes in a sanitary manner which will not create a nuisance, or in any way endanger the public health.

▶ Source: Chapter 12, Topic 17



# Individual Sewage Disposal, Continued

## Pit Privies

- ▶ Individual pit privies are acceptable where such facilities are customary and installed in accordance with the recommendations of the local health authority

## Health Authority Approval

- ▶ On proposed construction cases, or new or existing construction cases where the appraiser notes a problem, or if the area is known to have soil percolation problems, health authority approval of the individual sewage disposal system is required

- ▶ Source: Chapter 12, Topic 17

# Heating

- ▶ Heating must be permanently installed and maintain a temperature of at least 50 degrees Fahrenheit in areas with plumbing.

- ▶ Source: Chapter 12, Topic 23

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# Air Conditioning

- ▶ Air conditioning is not required, but if installed, must be operational.
- ▶ If a repair is needed, the appraiser must prepare the appraisal subject to the repair of the air conditioning system by a licensed heating/air conditioning contractor.



▶ Source: Chapter 12, Topic 23d

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# Leased Mechanical Systems and Equipment

- ▶ No value to leased equipment
- ▶ Leased equipment to be noted in the appraisal
- ▶ Leased equipment must not be given value in the appraisal.

▶ Source: Chapter 12, Topic 24

# Roof Covering

Roof Covering must:

- ▶ Prevent entrance of moisture, and
- ▶ provide reasonable future utility, durability, and economy of maintenance.

Multiple Shingle Layers

- ▶ When a defective roof with three or more layers of shingles must be replaced, all old shingles must first be removed.

▶ Source: Chapter 12, Topic 26

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# Lead-Based Paint

## Properties Built in 1978 or Later

- ▶ The appraiser must report all defective paint surfaces on the exterior and require repair of any defective paint that exposes the subsurface to the elements.

## Properties Built before 1978

- ▶ The presence of lead-based paint must be presumed.
- ▶ Economic feasibility is not an acceptable reason for waiver.

▶ Source: Chapter 12, Topic 32

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# Correcting Lead-Based Paint

## Correction of Defective Lead-Based Paint

- ▶ Any defective lead-based paint must receive adequate treatment to prevent the ingestion of contaminated paint

## Appraiser Certification of Repairs

- ▶ The completion of all repairs involving defective lead-based paint must be certified by the VA-assigned appraiser.

- ▶ Source: Chapter 12, Topic 32

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# Burglar Bars

- ▶ If a property has burglar bars, at least one window per bedroom must have a quick-release mechanism.
- ▶ If the appraiser is not able to confirm that quick release mechanisms are in good working order, the appraiser should prepare the appraisal subject to removal of the burglar bars as a safety consideration.

▶ Source: Chapter 12, Topic 31

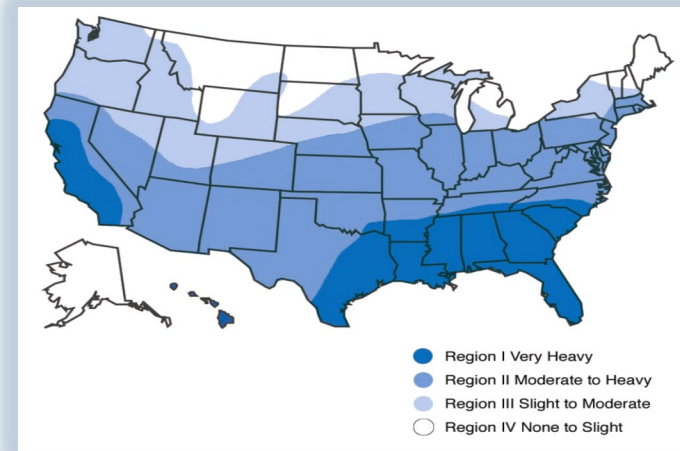
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# Wood Destroying Insects/Fungus/Dry Rot

- ▶ Apparent Damage
- ▶ Appraisers must report any apparent evidence of wood destroying insect infestation, fungus growth or dry rot.
- ▶ If the property is located in an area on the Termite Infestation Probability Map where the probability of termite infestation is "very heavy" or "moderate to heavy" on origination appraisals, a wood destroying insect inspection report must be required on the NOV.

▶ Source: Chapter 12, Topic 33



# Manufactured Homes

- ▶ MPRs
- ▶ Real estate entity
- ▶ Permanent foundation
- ▶ HUD standards
- ▶ Space requirements

▶ Source: Chapter 12, Topic 41



# Manufactured Homes, Continued

- ▶ State/Local requirements
- ▶ Proposed construction
- ▶ These exhibits are required:
  - foundation plan,
  - floor plan showing room layout and exterior dimensions,
  - elevation plans, and specifications for flooring, heating, plumbing, electrical equipment, appliances and other items included with the manufactured home.

▶ Source: Chapter 12, Topic 41

# Modular Homes

- ▶ Must meet state/local codes
- ▶ Comparable sales
- ▶ The appraiser will typically treat modular housing and on-frame modular housing in the same manner as conventionally built housing

▶ Source: Chapter 12, Topic 42

# Modular Homes, Continued

- ▶ On-frame modular home requirements
- ▶ The appraiser must ensure that:
  - all running gear is removed
  - the crawl space is covered by a vapor barrier with vented permanent masonry skirting
  - the skirting has an access hatch
  - the home is secured to a permanent foundation that meets state and local requirements

▶ Source: Chapter 12, Topic 42

# Mobile Homes vs. Manufactured Homes

Mobile Homes	Manufactured Homes
1. Built prior to June 15, 1976	1. Built after June 15, 1976
2. Unregulated construction	2. Built to HUD construction standards
3. Does not have HUD labels/tags	3. Must have HUD labels/tags
4. May be on a permanent foundation	4. Must be on a permanent foundation
5. May be considered real property	5. Must be considered real property

***\*VA does not accept mobile homes for VA lending purposes***

# Manufactured Homes vs. Modular Homes, Continued

Manufactured Homes	Modular Homes
1. Factory built	1. Factory built
2. Built to HUD standards	2. Built to local building codes
3. Delivered to site in on-frame sections	3. Delivered to site on-frame or off-frame
4. Must have HUD labels/tags	4. Must have local code approval
5. Must be on permanent foundation	5. Must be on a permanent foundation
6. Must be considered real property	6. Must be considered real property
7. Must be on 1004c Form	7. Must be on 1004 Form

# Requests for Waiver of Repairs

## ▶ Waiver Requested by a Veteran

- the request is signed by the Veteran;
- the lender concurs with the Veteran's request;
- the property is habitable from the standpoint of; safety, structural soundness, and sanitation.

## ▶ These requests should not allow for the Veteran to waive MPR repairs that could result in safety issues with the home.

▶ Source: Chapter 12, Topic 44

# Requests for Waiver of Repairs, Continued

## Inspection Report

- ▶ In support of the waiver request, while not required, providing an inspection report from a licensed professional who is qualified to assess the condition of the item in question will ensure the Veteran is fully informed about the condition of the item.

▶ Source: Chapter 12, Topic 44

# Requests for Waiver of Repairs, Continued

## Contributory Value

- ▶ If the request is approved, VA staff will amend the NOV, removing the repair requirement(s)

## Materials Shortage Following a Natural Disaster

- ▶ The Construction and Valuation of jurisdiction should be contacted for consideration of repair waivers on a case-by-case basis when a Veteran wishes to proceed with purchasing or refinancing a home in need of repairs when needed materials are not readily available

▶ Source: Chapter 12, Topic 44

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# Requests for Waiver of Repairs, Continued

- ▶ Escrowed funds for completion of repairs
- ▶ Depending on the nature of required repairs, it may be advantageous for the Veteran to have the repairs completed after closing on the loan

▶ Source: Chapter 12, Topic 44

# Learning Check

- ▶ MPRs help ensure that the property is....?
- ▶ SFHAs are usually designated by which zones?
- ▶ The appraiser must report all defective paint surfaces on properties built prior to what year?
- ▶ Air conditioners are required on all properties, true or false?
- ▶ What are some differences between manufactured homes and mobile homes?
- ▶ Both modular homes and manufactured homes should be on the Form 1004c, true or false?

▶ Source: Chapter 10

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# Notice of Value

## Lenders Handbook, Chapter 13

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# SAR's Responsibilities

## ▶ SAR's Certification of Appraisal Review

- “I reviewed this appraisal report to determine the acceptability of the property for VA Loan Guaranty purposes in light of VA minimum property requirements and the appropriateness, completeness, consistency, and accuracy of the fee appraiser’s reasonable value determination. In completing this administrative review, I am performing a due diligence function and not acting as, or taking the responsibility of, a cosigner of the report or supervisory appraiser. Any disagreements or comments, etc., resulting from the administrative review of this appraisal are fully explained on the attachment to this report.”

## ▶ (WebLGY notes are considered “the attachment to this report” referenced in this certification).

- ▶ Source: Chapter 13, Topic 2

# SAR's Responsibilities

- ▶ The SAR is certifying that they:
  - personally reviewed the appraisal report,
  - concurred with the fee appraiser's recommendation,
  - did not exert pressure or undue influence on the appraiser,
  - determined that the appraiser used methodologies that were appropriate and reasonable.

▶ Source: Chapter 13, Topic 2, 3

# Appraisal Review Process

## Appraisal Report and Electronic Scoring

- ▶ The SAR must review the appraisal and the results of the electronic scoring of the appraisal by VA's AMS.

Property Eligibility and VA Appraisal Guidelines. The SAR must ensure that:

- ▶ the property is eligible, and
- ▶ the appraisal report meets VA guidelines

## MPR Repairs

- ▶ The SAR must review the appraiser's recommendations for any MPR repairs and ensure that the property meets or will meet VA's MPRs.

- ▶ Source: Chapter 13, Topic 3

# Appraisal Review Process, Continued

## Clarifications on the appraisal

- ▶ Contact the appraiser for any needed clarifications and corrections.
- ▶ Document any contact with the appraiser and resolution of appraisal-related concerns in WebLGY notes.

## Questions not resolved by an appraiser

- ▶ SAR should email the Construction and Valuation for assistance.
- ▶ VA staff will assist the SAR in resolving the question concerning the appraisal.
- ▶ Source: Chapter 13, Topic 3

# Appraisal Review Process, Continued

- ▶ Property not eligible
- ▶ SARs must not issue an NOV
  
- ▶ NOV to reflect an appraiser's estimate of market value
- ▶ The SAR must issue the NOV in WebLGY at the appraised value
  
- ▶ NOV provided to the Veteran
- ▶ The same day the NOV is issued, the lender/SAR must send the Veteran a copy of the NOV together with a copy of the appraisal report
- ▶ Source: Chapter 13, Topic 3



# AMS

## Electronic scoring of the appraisal

- ▶ SARs must use AMS as a tool to help ensure appraisals are accurate, complete, and that the property is properly valued according to VA-accepted appraisal principles and practices.

## VA guidance on specific AMS scores

- ▶ VA will issue a circular periodically describing the AMS scores that will be considered low-risk and high-risk appraisals.
- ▶ SARs may perform a cursory review on low-risk appraisals. High-risk appraisals require a comprehensive review.

- ▶ Source: Chapter 13, Topic 4

# AMS, Continued

## ▶ Cursory review:

- reviewing the sales comparison grid,
- confirming that the report contains the required photographs,
- identifying all VA MPRs,
- reviewing any alerts identified by the AMS,
- identifying any additional conditions that must be included on the NOV.

▶ Source: Chapter 13, Topic 4

# AMS Continued

## ► Comprehensive Review:

- comprehensive review requirements include the requirements specified for a cursory review,
- verifying that the appraisal report is fully completed,
- verifying that the appraisal meets USPAP requirements,
- verifying that the appraisal complies (UAD) requirements,
- determining that the appraiser's conclusions are consistent, sound, supportable, logical and based upon data in the appraisal report,
- ensuring that the appraiser's market value estimate is consistent.

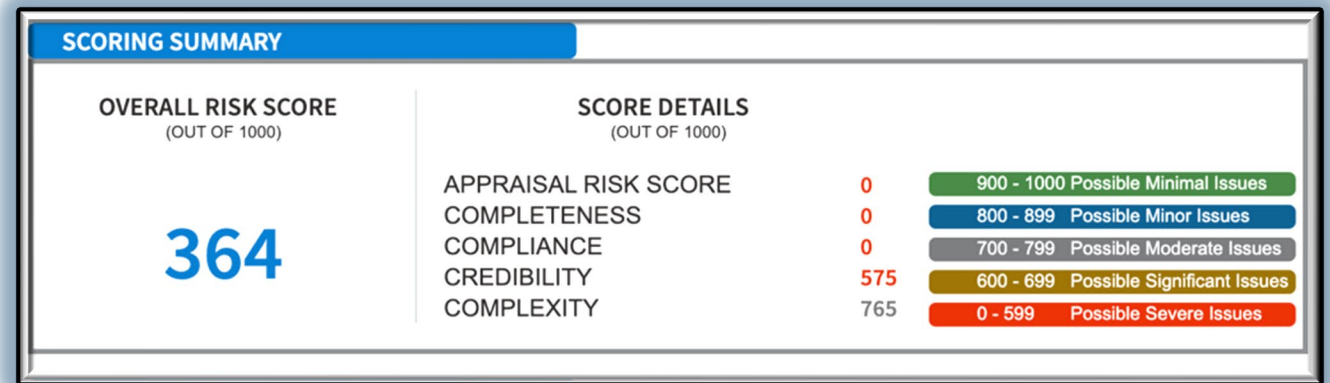
# AMS Scores

## ▶ Cursory Review

- Overall Risk Score 800 or above

## ▶ Comprehensive Review

- Overall Risk Score 799 or below



# AMS, Continued

- ▶ VA awarded the current AMS contract to Veros.
- ▶ Veroscore webinar training is required for SARs.
- ▶ Training can be access on  
VA's website: [https://www.benefits.va.gov/homeloans/appraiser\\_sar.asp](https://www.benefits.va.gov/homeloans/appraiser_sar.asp)

▶ Source: Chapter 13, Topic 4

# NOV Timeliness Expectations

## Timeliness Expectation

- ▶ The SAR must issue the NOV within five business days. (not including weekends or holidays)

## Lender Delays

- ▶ LAPP lenders are responsible for resolving any timeliness problems involving authorized agents and branch personnel.

- ▶ Source: Chapter 13, Topic 5

# NOV Validity Period

## Validity Period

- ▶ An NOV is valid for 6 months.

## Veteran Under Contract

- ▶ If a Veteran is under contract during the validity period, processing may continue until that transaction is either completed or terminated.

## Extension of the Validity Period

- ▶ On a case-by-case basis, VA may extend validity periods when requests for such actions are reviewed and found to be appropriate under prevailing conditions.

- ▶ Source: Chapter 13, Topic 7

# Lunch Break



*Please return in one hour*

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# NOV Conditions

## NOV Conditions

- ▶ All conditions included on an NOV must be satisfied prior to guaranty of the loan by VA.

## Additional Lender Requirements

- ▶ Items that are not required by VA must not be included on the NOV.

## Table of NOV Conditions

- ▶ The following table lists the conditions that appear on the NOV form with details about when each condition is required on the NOV.

- ▶ Source: Chapter 13, Topic 8

# NOV Conditions, Continued

- ▶ Energy conservation
- ▶ Wood destroying insect information
- ▶ Lien-supported assessment
- ▶ Condominium
- ▶ Private road/shared driveway
- ▶ Flood insurance
- ▶ Water/sewage
- ▶ Connection to public water and/or public sewer
- ▶ Source: Chapter 13, Topic 8
- ▶ Repairs
- ▶ Post construction inspection
- ▶ New construction inspections/warranty
- ▶ Proposed construction inspections/warranty
- ▶ New or proposed manufactured home
- ▶ Lead/water distribution system
- ▶ Radon gas
- ▶ Other conditions

# Energy Conservation

- ▶ Item 1a should be marked on NOVs for existing properties (over 1-year old or previously occupied).
- ▶ Item 1b should be marked for NOVs for new or proposed construction.
- ▶ Item 1b should be marked for new and proposed manufactured homes, energy efficiency is already covered by the manufacturer's guidelines.

▶ Source: Chapter 13, Topic 8c

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# Wood Destroying Insect Information

- ▶ Item 2a should be marked if the property is existing or new construction.
- ▶ Item 2b should be marked if the property is proposed/under construction.
- ▶ For new construction, if a soil treatment guarantee is provided, this is preferable and will satisfy condition 2a.

▶ Source: Chapter 13, Topic 8c

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# Wood Destroying Insect Information

- ▶ The pest control operator must meet all state requirements.
- ▶ Inspection reports are valid for 90 days.
- ▶ A wood-destroying insect inspection is not required on units in low-rise or high-rise condominiums unless the appraiser notes a potential infestation problems.

▶ Source: Chapter 13, Topic 8c

# Lien-Supported Assessment

- ▶ If the property is located in a planned unit development (PUD) or condominium, mandatory homeowners' association (HOA) fees must be shown on the NOV.

▶ Source: Chapter 13, Topic 8c

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# Condominium

- ▶ If the condominium is conditionally accepted by VA, this item should be marked. This item is not required if the condominium is fully accepted by VA.
- ▶ If the condominium has not been accepted by VA, the NOV must not be issued.

▶ Source: Chapter 13, Topic 8c, Chapter 11, Topic 12

# Private Road/Shared Driveway

- ▶ Per Circular 26-22-17, Private Roads and Shared Driveways, a maintenance agreement from an HOA or a joint maintenance agreement is no longer required for properties with private roads and shared driveways.
- ▶ Item 5 of the NOV will no longer be marked as this condition no longer applies.
- ▶ A recorded permanent easement or recorded right of way from the property to a public road is still required to be placed in the loan file

▶ Source: Chapter 13, Topic 8c/Circular 26-22-17

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# Flood Insurance

- ▶ If the property is located in a SFHA, this item should be marked.
- ▶ It is the lender's responsibility to ensure that flood insurance is obtained and maintained.

▶ Source: Chapter 13, Topic 8c

# Water/Sewage System Acceptability

- ▶ If the property has an individual water supply, such as a well, this condition must be marked.
- ▶ Certifications are valid for 90 days.

▶ Source: Chapter 13, Topic 8c; Chapter 12, Topic 15

# Connection to the Public Water and/or Public Sewer

- ▶ This condition is required only if the property does not have public water and/or sewer and the state or local authority has mandated connection to public utilities.

▶ Source: Chapter 13, Topic 8c; Chapter 12, Topic 16

# Repairs

- ▶ Repairs needed for the property to meet VA MPRs.
- ▶ Repairs involving lead-based paint must be certified by the fee appraiser

▶ Source: Chapter 13, Topic 8c

# Post Construction Inspection

- ▶ This condition must be marked on all proposed construction properties.



- ▶ Source: Chapter 13, Topic 8c

# New Construction Inspections/Warranty

► For new construction properties:

- 11a if local building inspections are performed
- 11b if local building inspections are not performed
- Must have either a 1 year or a 10-year warranty, either 11c or 11d must be marked

► Source: Chapter 13, Topic 8c

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# Proposed Construction Inspections/Warranty

- ▶ For proposed construction properties:
  - 12a if local authority performs inspections, 1-year warranty
  - 12b if local authority does not perform inspections, 1-year and 10-year warranty

▶ Source: Chapter 13, Topic 8c; Chapter 10, Topic 16

# New or Proposed Manufactured Home

- ▶ For new or proposed manufactured home:
  - 13a if local building inspections are performed
  - 13b if local building inspections are not performed
  - 1-year warranty provided by manufactured home installer who placed the home on the foundation

▶ Source: Chapter 13, Topic 8c; Chapter 12, Topic 41



# Lead/Water Distribution System

- ▶ This condition is required on all new and proposed construction properties and properties having repairs to the potable water distribution system

▶ Source: Chapter 13, Topic 8c

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# Radon Gas

- ▶ This condition is required on all new and proposed construction properties.
- ▶ <https://www.epa.gov/radon/radon-resistant-construction-basics-and-techniques>
- ▶ Source: Chapter 13, Topic 8; Chapter 12, Topic 34

# Other Conditions

- ▶ Any additional requirements should be listed
- ▶ Local requirements
- ▶ Lender overlays cannot be placed on the NOV. This is for VA conditions only.

▶ Source: Chapter 13, Topic 8c

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# Questions and Answers



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# Closing Remarks

**Thank you for joining us.**