

Chapter 15. Lender Appraisal Processing Program (LAPP)

Overview

Change Date June 28, 2010, Change 14

- This section has been updated to add subsection lettering and to make minor grammatical edits.

a. Purpose of LAPP The purpose of the Lender Appraisal Processing Program (LAPP) is to speed up the time to loan closing by allowing VA-authorized lenders to receive appraisal reports directly from appraisers and process them without VA involvement.

b. How LAPP Works There are basically four steps in processing LAPP cases.

Stage	Description
1	The LAPP lender requests VA assignment of a fee appraiser and a VA loan number (same as any other case) and identifies the case as "LAPP."
2	The VA-assigned appraiser sends the appraisal report directly to the LAPP lender's VA-approved staff appraisal reviewer (SAR).
3	The LAPP lender's SAR <ul style="list-style-type: none">• reviews the appraisal report for completeness and conformity with industry-accepted appraisal practices and techniques as well as other VA requirements,• determines the reasonable value of the property and any conditions which must be met prior to VA guaranty of the loan, and• sends the veteran buyer a written notice of the value which includes any conditions or requirements upon which the VA loan guaranty is contingent.
4	The LAPP lender then underwrites and closes the loan on the automatic basis and requests VA guaranty.

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Overview, Continued

**c. In this
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15.01 LAPP Eligibility

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- This section has been updated to add subsection lettering and to make minor grammatical edits.

a. Lender Requirements VA may grant Lender Appraisal Processing Program (LAPP) authority to any automatic lender that requests it and meets the qualification criteria outlined in this chapter, including the Lender Quality Control System Requirements.

b. Role of Staff Appraisal Reviewer The lender exercises its LAPP authority through an employee who is a VA-approved staff appraisal reviewer (SAR).

c. SAR Requirements A lender's staff appraisal SAR must:

- be a full-time salaried employee of the lender, and
- have at least 3 years of work experience which qualifies him or her to competently perform administrative appraisals reviews in conjunction with underwriting loans for VA loan guaranty purposes.

d. SAR's Work Experience Requirements The SAR's work experience must indicate that he or she has:

- general knowledge of the principles, methods, practices and techniques of appraising and the ability to apply that knowledge,
- the ability to review the work of others and recognize deviations from accepted appraisal principles and practices,
- the ability to detect errors in computations, and
- ability to detect conclusions which are not supported.
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It is also desirable for the SAR to have:

- knowledge of general realty practices and principles related to real property valuation,
- skill in collecting and assembling data, and
- ability to prepare clear and concise reports.

Note: Three years of experience related to the HUD Direct Endorsement program satisfies the experience requirement provided all other application requirements are satisfied.

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15.01 LAPP Eligibility, Continued

e. Location of SAR

There is no restriction on the location of a lender's SAR.

f. Geographic Extent of LAPP

Once a SAR has satisfied the LAPP training and initial case review requirements (SAR Training and Initial Case Reviews in this chapter), their LAPP authority may be used for properties in any state in which the lender has authority to close loans under the automatic procedure.

If a lender's automatic authority is extended into a new state, their SAR's LAPP authority is immediately extended as well.

Note: It is the SAR's responsibility to stay informed about any local VA processing requirements unique to the VA jurisdiction in which a property is located.

g. SAR Conflicts of Interest

There must not be a conflict of interest between the SAR's role as SAR and any other activities that he or she conducts. Examples of other activities which would be a conflict of interest include:

- SAR is on the VA fee appraisal panel, or
 - SAR is employed by or performs appraisal review services for another lender.
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15.02 Lender Quality Control System Requirements

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- This section has been updated to add subsection lettering, add hyperlinks, and to make minor grammatical edits.

a. Introduction To qualify for LAPP authority, the lender must have an effective quality control (QC) system which ensures the adequacy and quality of its staff appraisal reviews. This QC system must be independent of the lender's loan production operation.

Upon request, the lender must agree to furnish VA with findings and information about the system. The senior officer must certify on each SAR's Lender's Staff Appraisal Reviewer Application (SAR) Application, [VA Form 26-0785](#), that the QC system meets the requirements detailed in this section.

b. QC Reviewers Reviews of the SARs' work may be performed by an independent party or independent internal audit division which reports directly to the lender's chief executive officer. QC personnel should possess a basic familiarity with appraisal theory and techniques and the ability to prescribe appropriate corrective actions when problems in the appraisal review process are identified.

c. Frequency and Scope of Reviews Perform desk reviews of each SAR's appraisal reviews on a routine basis (monthly or quarterly). The sample size should be no less than 5 percent of the SAR's LAPP cases processed monthly or a minimum number of cases (for example, five cases).

There must be a procedure for expanding the scope of the reviews if a pattern of deficiencies is identified.

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15.02 Lender Quality Control System Requirements, Continued

**d. QC Review
Criteria**

QC reviews should consider the:

- overall quality of the SAR's appraisal review,
 - acceptability of the property in light of VA minimum property requirements, and
 - appropriateness of the reasonable value determination.
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**e. Maintenance
of VA
Publications**

The QC system must provide assurance that all current pertinent VA regulations, directives, and other releases are maintained and immediately available to the quality control personnel and SARs.

**f. Management
Notification
and Corrective
Action**

The QC system must provide for written notification of deficiencies cited as a result of audits or reviews at least quarterly to the lender's senior management or chief executive officer.

The QC system must require senior management to promptly initiate and document actions to correct deficiencies and provide SARs with corrective instructions.

**g. Review of
VA Fee Panel
Appraisals**

In addition to reviews of the SARs' work, random field reviews of VA fee panel appraisals should be performed. These reviews can be done by the SAR, or an independent appraiser on a contract basis.

Note: Formally report any substantive negative findings to the VA Regional Loan Center where the appraiser is a member of the fee panel.

15.03 Applying for LAPP Authority

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- This section has been updated to add subsection lettering, add hyperlinks, and to make minor grammatical edits.

a. Application and Fees Submit a separate Lender's Staff Appraisal Reviewer Application (SAR) Application, [VA Form 26-0785](#), and fee for each SAR approval request to the VA regional office with jurisdiction over the SAR's physical location.

Legitimate requests to submit the application to a VA office more conveniently located for training and other interactions between the SAR and VA will be considered.

For each SAR approval request, include a \$100 processing fee plus the information, statements and certifications exactly as detailed on the application, either on lender letterhead or attached to a statement on lender letterhead which references it.

The same procedure applies to subsequent requests for VA approval of additional SARs.

b. Notification of VA Decision The VA regional office will review the application materials submitted and notify the lender of its decision as quickly as possible.

If VA determines that the SAR meets basic LAPP qualification requirements, it will inform the lender that the SAR must fulfill the *SAR Training and Initial Case Review* requirements detailed in this chapter.

c. SAR ID Number The notice from VA will provide a permanent ID number for each SAR approved. The SAR always retains the same ID number, even if he or she goes to work for another lender and is approved as a SAR for that lender.

15.04 SAR Training and Initial Case Reviews

Change Date June 28, 2010, Change 14

- This section has been updated to add subsection lettering, add hyperlinks, and to make minor grammatical edits.

a. Training and Case Review Requirements The Staff Appraisal Reviewer (SAR) may not begin performing appraisal reviews independently after VA's notification of approval until he or she fulfills VA training requirements and VA initial case review requirements. Generally, VA staff will train the SAR and then conduct the initial case reviews.

b. Exceptions to Training and Case Review Requirements The following are the three exceptions to the SAR training and initial case review requirements:

SAR Training During or After Case Reviews

The lender may request that the training be conducted during or after the case review requirement.

SAR With Prior LAPP Experience

The lender may request a waiver of the training and case review requirements for a SAR who previously satisfied those requirements while employed by another LAPP lender, and has satisfactorily processed LAPP cases within the last year.

Experienced SAR to Train and Supervise New SAR

The lender may request that one of its experienced SARs train and review the initial cases of a new SAR. The experienced SAR must:

- have full LAPP authority and be performing acceptably,
 - provide adequate training to the new SAR, and
 - review and ensure the acceptability of the new SAR's initial LAPP cases.
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15.04 SAR Training and Initial Case Reviews and Initial Case Reviews, Continued

c. Training and Case Reviews Completed by Experienced SAR

Once the training and case reviews are acceptably completed, the lender's senior officer must send the VA office a signed and dated notice which includes

- the name and SAR ID number of both the trainee and trainer, and
- a letter stating that
 - the training covered all VA LAPP requirements, and
 - the trainer reviewed at least five cases successfully completed by the trainee.

Note: The letter must include the VA case numbers for at least five cases.

d. Training by VA Staff

If the training and case review requirements are not waived by VA or completed by an experienced SAR upon receipt of VA's notification that the SAR meets the basic LAPP qualification requirements, the lender must call that VA office to arrange for SAR training. VA will normally provide the training at the VA office (but may provide it in meetings or seminars at other locations in conjunction with scheduled VA field travel) and within 30 days.

At a minimum, the training by VA staff should consist of a 1 day session to discuss LAPP processing procedures and guidelines and any local VA office requirements and conditions.

Note: Due to the need for consistency between VA offices nationwide, each office is expected to limit local requirements and conditions to only those that are essential.

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15.04 SAR Training and Initial Case Reviews and Initial Case Reviews, Continued

**e. Procedure
for Case
Reviews**

Each SAR's first five cases must be processed as described in the table below

Stage	Description
1	SAR fully reviews the fee appraiser's report.
2	SAR determines the reasonable value of the property.
3	SAR drafts a notice of value (NOV) to the veteran purchaser. Note: SAR should not send it to the veteran purchaser.
4	VA staff or an experienced SAR with VA permission reviews the following items: <ul style="list-style-type: none">• the NOV,• the appraisal request,• the appraisal report, and• any related documents.
5	If the SAR's work on the case is acceptable <ul style="list-style-type: none">• VA staff will issue a NOV to the lender within 5 work days of receipt of the package, or• The experienced SAR reviewer will also update and sign the SAR certification and mail the NOV to the veteran purchaser. Reference: Chapter 13 , Section 3.

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15.04 SAR Training and Initial Case Reviews and Initial Case Reviews, Continued

f. Case Reviews by VA Staff

Refer to the following table when the initial case reviews are made by VA staff.

If the SAR's appraisal review isthen
deficient in any respect	VA will send a letter to the lender detailing the specific problems within 5 days of receipt of the package.
found to have substantive deficiencies such as failure to <ul style="list-style-type: none"> • identify significant appraisal errors, or • correctly note minimum property requirements or other conditions or requirements on the NOV 	VA's letter to the lender <ul style="list-style-type: none"> • will state that the SAR must continue to submit LAPP cases for VA review and issuance of a VA NOV prior to closing, and • may direct the SAR to visit the VA office for counseling or further training.
fully acceptable	VA will not provide feedback on the individual case.
fully acceptable and the last item necessary to satisfy all initial case review (and training) requirements	VA will notify the lender by letter that the SAR has satisfied all requirements and may process cases independently and issue the NOV.

15.05 Changes in SAR's Employment of Lender's Status

- Change Date** June 28, 2010, Change 14
- Subsection b has been changed to add language to the required statement lenders must submit.
 - This section has been updated to add subsection lettering, add hyperlinks, and to edit minor grammatical errors.
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- a. SAR No Longer Employed or Performing SAR Work**
- The lender must promptly notify VA if the Staff Appraisal Reviewer is no longer employed or is no longer functioning as an SAR for the lender.
- If either of these two apply, the SAR's LAPP authority automatically ceases and the lender's eligibility to participate in LAPP is terminated if that individual was the lender's only SAR.
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- b. SAR Employed By New Lender**
- If the SAR begins work for a new lender, that lender must promptly submit to VA a new [VA Form 26-0785](#), Lenders Staff Appraisal Reviewer Application, and \$100 processing fee.

The lender may request a waiver of the training and case review requirements for that SAR by including a copy of VA's notice that the SAR has satisfied those requirements and a statement that the SAR processed LAPP cases and issued NOV's within the last year.

- c. Lender Changes**
- The lender must notify VA any time there is a
- change in ownership,
 - merger, or
 - acquisition.

Reference: See [Chapter 1](#), Section 9 for a description of the information VA needs from the lender to continue its LAPP authority.

15.06 Lender Responsibilities Under LAPP

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- This section has been updated to add subsection lettering, add hyperlinks, and to edit minor grammatical errors.

a. Due Diligence Lenders are expected to exercise due diligence in processing LAPP cases and are responsible for complying with all applicable:

- VA policies and procedures,
- VA regulations, and
- statutory requirements.

VA considers due diligence to be care which is properly expected from, and ordinarily exercised by, a reasonable and prudent lender who is entirely dependent on the subject property as a security to protect their investment.

b. What LAPP Lenders Can Expect In assuming the responsibilities involved with processing an appraisal under LAPP and subsequently underwriting the VA loan on the automatic basis, the lender has reasonable certainty that the VA Form 26-1899, *Loan Guaranty Certificate*, will be issued by VA, except in cases of fraud or willful material misrepresentation by the lender.

Reference: See [Chapter 17](#), Section 4.

c. LAPP Privilege LAPP authority is a privilege delegated to lenders at VA's discretion. Lenders maintain this privilege by complying with all applicable LAPP-related requirements.

If VA finds proper cause, the privilege extended to lenders under LAPP may be:

- amended,
- suspended, or
- withdrawn.

Reference: For more information, refer to [Chapter 17](#).

15.07 LAPP Processing Procedures

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- This section has been updated to add subsection lettering, add hyperlinks, and to edit minor grammatical errors.

a. Property Eligibility and Appraisal Requests

The appraisal of any property eligible to be the security for a VA loan can be processed under LAPP except:

- master appraisals,
- foreclosure appraisals,
- those involving partial release of VA loan security, and
- those involving HUD value determinations.

Reference: For details regarding the eligibility of property for appraisal for VA purposes, as well as VA appraisal request instructions, see [Chapter 10](#).

b. Appraisal Requirements

For details about VA appraisal requirements, see [Chapter 11](#).

c. Appraisal Reviews

For details about requirements for reviewing appraisals and issuing notices of value for VA purposes, see [Chapter 13](#).

d. Submitting Cases to VA for Processing

An appraisal which the lender chooses not to process under LAPP can be submitted to the VA office of jurisdiction for VA staff to review and issue an NOV. The submission must include the SAR's draft NOV letter to the veteran and all of the appraisal documentation required per Appraisal Report Contents in [Chapter 11](#). All other VA requirements for a case submitted on the prior approval basis by an automatic lender must also be met.

Reference: See [Chapter 5](#), Section 4.

Note: Every property eligible for the LAPP should be processed under LAPP. If a LAPP lender fails to process an eligible property under LAPP, the request for VA guaranty must include a **detailed** explanation.

15.08 Affiliates and Agents

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- This section has been updated to add subsection lettering, add hyperlinks, and to edit minor grammatical errors.

a. Affiliates Unless approved by VA, lenders are not authorized to use LAPP for any:

- builder,
- land developer,
- real estate broker, or
- other entity which they own or have a financial interest in or are otherwise affiliated with.

This restriction may not apply if

- the only relationship between the lender and a builder is a construction loan, or
- the lender can provide a formal corporate agreement or other documentation which demonstrates to VA's satisfaction that the lender and builder, or other affiliate, are essentially separate entities operating independently from one another, free of all cross-influences.

The lender's quality control plan must specifically address the insulation of the fee appraiser, appraisal reviewer, and the underwriter from the influence of the affiliate.

Reference: [Chapter 1](#), Section 7.

**b. Lender/
Agent
Relationship**

Agents can be involved in LAPP processing only when the sponsoring (funding) lender has an established ongoing agency relationship with the agent, as evidenced by a corporate resolution accepted by VA.

Reference: [Chapter 1](#), Section 8.

Corporate Resolution

The corporate resolution must provide that the sponsoring lender accept full responsibility for the actions of its agents. Additionally, the sponsoring lender is responsible for assuring that the agent is appropriately trained and knowledgeable about VA appraisal assignment procedures and the restrictions on their role in LAPP.

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15.08 Affiliates and Agents, Continued

c. Agents and Appraisals

Refer to the following table for rules regarding agents and appraisals.

If the agentthen
is acting on behalf of an approved LAPP lender and is authorized by that lender	he or she may request VA appraisals, receive appraisal reports, and forward them to the lender's staff appraisal reviewer.
requests an appraisal	<p>he or she may use either the sponsoring (funding) lender's VA Assignment System logon or his or her own logon to request appraisals. An appraisal cannot be requested unless the sponsoring lender is known at the time of the request.</p> <p>If the agent is to receive the appraisal report, the request must include the agent's:</p> <ul style="list-style-type: none"> • address in item 5, • signature in item 38, • firm's name in item 39, and • telephone number in item 40. <p><i>Note:</i> In requesting an appraisal, the authorized agent is making the required certifications on behalf of the sponsoring lender.</p>

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15.08 Affiliates and Agents, Continued

c. Agents and Appraisals
(continued)

If the agentthen
receives an appraisal report	he or she must immediately forward it to the sponsoring lender who must issue a LAPP NOV within 5 business days of the agent's receipt of the appraisal report.
contacts the fee appraiser	that contact may only be about the timeliness of the appraisal, and not about the value or condition of the property which only the lender's LAPP SAR is authorized to discuss with the fee appraiser.
does not have LAPP authority but advertises or otherwise represents in any way that he or she is "LAPP approved"	he or she will have violated a VA prohibition against such advertising or representation.
has LAPP authority	he or she cannot issue a LAPP NOV for any other lender. See Chapter 13 , Section 10.
