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May 17, 2005

BULLETIN NO. 2005-04

TO: ALL LENDERS, SERVICERS, AND FEE APPRAISERS

SUBJ: NEW APPRAISAL REPORT FORMS AND INSTRUCTIONS FOR USE

Purpose

The purpose of this bulletin is to provide information to program participants on the revision of appraisal report forms by Fannie Mae and Freddie Mac. After a review of the forms listed in paragraph 1b below, we have determined that they are acceptable for Department of Veterans Affairs (VA) appraisals. As the needs of our appraisal program may change, the potential use of the other Fannie Mae and Freddie Mac appraisal forms will be further evaluated.

Effective Date

The revised appraisal report forms identified below are acceptable for immediate use in all VA appraisals. Effective on **November 1, 2005**, these revised appraisal report forms must be used. Until then, VA appraisals may be completed using either the revised appraisal forms or the appraisal forms as identified in VA Pamphlet 26-7, the Lenders Handbook, Chapter 11, Section 11.04, (Appraisal Report Contents). The acceptable revised appraisal report forms are:

- Uniform Residential Appraisal Report (URAR), Freddie Mac Form 70/Fannie Mae Form 1004 dated March 2005 which will be required for all VA single family home and manufactured home appraisals;
- Individual Condominium Unit Appraisal Report, Freddie Mac Form 465 /Fannie Mae Form 1073 dated March 2005 which will be required for all condominium unit appraisals; and
- Small Residential Income Property Appraisal Report, Freddie Mac Form 72/Fannie Mae Form 1025 dated March 2005 which will be required for all two to four unit property appraisals.

The new appraisal report forms are available online at Fannie Mae's website:

http://www.efanniemae.com/singlefamily/forms_guidelines/selling_servicing/formlist.jhtml and at Freddie Mac's Website at: <http://www.freddiemac.com/sell/forms/>

Background

The June 1993 version of the URAR has been widely recognized and used as the appraisal industry standard report form for the appraisal of single family residential properties. The changes that are reflected in the revised URAR dated March 2005 include expansion to six pages and the addition of the Statement of Assumptions and Limiting Conditions and Appraiser's Certification.

Details

a. Use of the revised appraisal forms should comply with previous VA instructions for appraisal completions and submission. VA appraisals must contain all requisite exhibits, comply with standing VA requirements, and conform to the applicable provisions of the Uniform Standards of Professional Appraisal Practice (USPAP).

b. In accordance with the instructions in Circular 26-04-05, VA fee appraisers will continue to name the Department of Veterans Affairs as the Lender/Client on all appraisal reports. Consistent with current policy, the intended use for VA appraisals is for residential loan purposes. The primary user is any approved VA lender or servicer.

c. In the reconciliation area of the revised forms, the box which states: "This appraisal is made... / / subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require repair", should generally **not** be checked by the VA fee appraiser. Appraisers are expected to require repair or correction of any observed conditions adversely affecting the property's soundness or livability to ensure the property meets VA Minimum Property Requirements (MPRs). Questions on unusual or unique MPRs should be directed to the VA Regional Loan Center (RLC) of jurisdiction.

Actions

a. The RLC's should promptly disseminate this information to all lenders, servicers, and fee appraisers.

b. Although use of the revised URAR is not mandatory until November 1, 2005, VA fee appraisers and appraisal reviewers should review and become familiar with the revised appraisal forms as soon as possible, and contact VA for additional information or needed assistance. This will enable us to assist in the early detection of any prospective issues.

c. The new appraisal forms authorized for VA appraisals are not expected to present any significant difficulties. If there are any questions on the completion and review of these new appraisal forms, please contact the VA Home Loan website at:
www.homeloans.va.gov/cav_questions.htm.

RESCISSION

This bulletin is rescinded October 1, 2007

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R. BIAGIOLI
Loan Guaranty Officer