

## **APPRAISAL OF PROPOSED OR UNDER CONSTRUCTION PROPERTIES FROM MODEL HOMES**

**1. Purpose.** To announce that appraisers are now authorized to use model homes, in lieu of construction exhibits (plans and specifications), to appraise “Proposed or Under Construction” properties, as defined in Chapter 10 of the VA Lender’s Handbook.

**2. Requirements.** Effective immediately, VA will allow “Proposed or Under Construction” properties to be appraised using an existing model home, in lieu of construction exhibits, if the model home is:

- Fully completed;
- The same plan type as the subject home;
- Located in the same market area; and
- Readily accessible to the assigned fee appraiser.

This policy is not applicable to ‘New Construction’ properties as defined in Chapter 10 of the VA Lender’s Handbook.

### **3. Procedures**

**a. Ordering the Appraisal.** Lenders should order these appraisals through The Appraisal System (TAS) in the same manner as other appraisals. The only additional entries required include:

- **Item 3.** Legal Description: Enter the full legal description along with the following note:  
  
“**APPRAISAL FROM MODEL HOME.**” This is designed to alert the fee appraiser that the assignment is to be performed in compliance with this Circular’s instructions.
- **Items 23 and 24.** Enter contact information needed for fee appraiser’s access to the model home (sales office location, hours of operation, phone number, etc.)
- **Item 36.** Proposed Sales Contract Attached? Select “No.” However, lenders must provide a complete copy of the Proposed Sales Contract to the appraiser.

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**b. Completing the Appraisal.** The fee appraiser should perform the appraisal according to VA requirements for New Construction appraisals as presented in Chapter 11 of the VA Lender's Handbook, except for the following:

- In the "Comments" section at the bottom of page 1 of the Uniform Residential Appraisal Report (URAR), the fee appraiser must insert the following statement:

**"Appraisal from Model Home. Value has been based on an inspection of a model home of the same plan type as the subject. Construction to be completed according to contract dated\_\_\_\_\_."**

**c. Issuing the Notice of Value.** The Staff Appraiser Reviewer (SAR) should complete the Notice of Value (NOV) in the same manner as other NOVs. In these cases, the SAR should place the following verbiage in item 10 of the NOV:

**"Appraisal from Model Home. Construction to be completed according to contract dated\_\_\_\_\_. Appraiser is to be contacted for Final Inspection and to provide a statement verifying satisfactory completion."**

4. **Station Releases.** Stations should disseminate this information as widely as possible using their local websites. It is not necessary to prepare "hard copy" local releases, although, stations may do so at their discretion. Central Office will be placing this information on the Loan Guaranty website and there will also be a link from the portal.

5. **Rescission:** This circular is automatically rescinded on January 1, 2009.

By Direction of the Under Secretary for Benefits

Judith A. Caden  
Director, Loan Guaranty Service

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