

**DEPARTMENT OF
VETERANS AFFAIRS
REGIONAL LOAN CENTER
Denver, CO**



**VA FEE PANEL
APPRAISER'S HANDBOOK
September 2008 Edition**

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CONSTRUCTION & VALUATION CONTACT INFORMATION

PHYSICAL ADDRESS

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REGULAR MAIL ADDRESS

VA REGIONAL LOAN CENTER
Construction & Valuation (262)
Box 25126
Denver, CO 80228

Administering the VA Home Loan Program in Alaska, Colorado, Idaho, Montana, Oregon, Utah, Washington, and Wyoming

Phone Number: 1-888-349-7541 option 1

E-Mail Address: 39/va262@vba.va.gov

Fax Number: 303-914-5618

Denver Website: <http://www.vba.va.gov/ro/denver/index.htm>

National Website: www.vba.va.gov

Veteran Information Portal: <http://vip.vba.va.gov>

VA Training Broadcasts: <http://www.homeloans.va.gov/broadcast.htm>

VA Circulars: <http://www.homeloans.va.gov/new.htm>

VA Lenders Handbook: http://www.warms.vba.va.gov/pam26_7.html

DENVER REGIONAL LOAN CENTER C&V STAFF

Denver Regional Loan Center

Joe Reno	Valuation Officer
Valerie Martinez	Assistant Valuation Officer
Jack Chaney	Assistant Valuation Officer
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Steve Glasgow	Staff Appraiser
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Keith Pearce	Staff Appraiser
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Terri Birdsong	Program Assistant
Cindy Shuel	Staff Appraiser
Robert Stefanski	Staff Appraiser
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Judy Picon	Special Adapted Housing Agent
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John Cunningham	Seattle
Cheryl Maines	Seattle
Joe Ladan	Seattle
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CHAPTER 1

GENERAL INFORMATION

This appraiser handbook supersedes all previous editions. It is also recommended that you download a copy of the VA Lenders Handbook. Chapters 10 through 18 contain instructions relating to the appraisal process. Whenever you receive any written instructions or training material, the instructions/and or material with the most current date takes precedence. You will be advised by e-mail or postings to the VA website of any changes or additions to this handbook. Changes or instructions issued after the date of release of this guide would rule. Portions of the text that are highlighted are done so to point out certain changes in previous instructions, to point out program changes, and to emphasize certain points.

- **Appraiser Availability and Communication**

All VA fee appraisers in Denver's jurisdiction must make themselves available during normal business hours and are expected to respond promptly to any inquiries received (by phone, fax, or e-mail) from VA staff, lenders, or real estate agents. Generally, your response should be made *no later than the following business day*. Failure to respond timely will be documented and could lead to withholding of assignments.

NOTE: You are only authorized to discuss the contents of your appraisal with VA staff and the lender's Staff Appraiser Reviewer (SAR).

- **Internet / E-Mail Access**

VA fee appraisers **must have Internet access** that is compatible with the VA Information Portal operating systems and an **e-mail address**, from which they can both send and receive e-mails, including attachments.

- **Phone/Fax Availability**

A **fax machine**, or access to a fax machine, is **required**.

A **telephone answering machine**, or voicemail system, or someone to answer your telephone during normal business hours (typically 8:00 a.m. to 4:00 p.m.) Monday through Friday, is **required**.

If no one is available to answer your telephone or to check your e-mail during periods of unavailability, you are required to have a recorded telephone message to inform callers of the date you expect to return. These messages should further direct them to call the Denver RLC if they need immediate assistance on a VA case.

- **Vacation Notices**

Other than emergency requests for leave, please notify us at least **5** business days in advance when you want to have your VA assignments stopped. Please send an e-mail indicating the date you want to be taken off rotation, the date you want to be placed back on rotation, and the **state(s) where you work**: to 39/VA262@vba.va.gov

Note: It is **your responsibility** to ensure all assignments received (or assigned to you on TAS) prior to the start of your vacation period are completed and **uploaded to e-Appraisal**. Be sure you notify VA of any assignment(s) still pending so we can reassign them to another appraiser.

We are no longer in a position to approve extended time off panel rotation, except for medical reasons and other reasons deemed valid and also in the best interest of the VA. If requesting extended leave, please contact a member of the supervisory staff.

- **Illness or Emergency Notices**

Immediate notification is required when you need your assignments stopped due to illness or for reasons of personal emergency. Also, please let us know if there are any assignments you have not completed, so these can be reassigned.

Note: Please be aware that any cases unaccounted for during the period of your unavailability are subject to reassignment in the event we are unable to reach you to determine status.

- **Conflict of Interest - VA Policy**

Due to a policy change, VA no longer requires fee personnel to submit an annual Statement of Interests. Nonetheless, VA fee appraisers are held to those requirements and must continue to adhere to them. The following statement of VA policy provides some examples of conflict of interest as well as other guidelines for fee personnel:

It is neither the desire nor the intent of VA to interfere in the private lives of fee appraisers or to infringe upon their personal liberties. It is appropriate, however, for VA to require that persons serving as fee appraisers not engage in private pursuits that conflict with their duties on behalf of the VA. Except as may be otherwise expressly authorized by VA regulations, instructions, or directives, VA requires that, as a condition for appointment and retention as an approved fee appraiser, any particular individual serving in such capacities shall not engage in any private pursuits where there may or will be:

- Any connection established that might result in a conflict between the private interests of the VA fee appraiser and his/her duties and responsibilities to VA and veterans.
- Any circumstances wherein information obtained from or through a VA assignment to appraise will be used to the detriment of the government or veterans.

Specifically, the foregoing statements of policy and the standards contained therein are intended to preclude any fee appraiser from:

- Selling land to a builder or sponsor and then making an appraisal of a dwelling unit purchased by a veteran with guaranteed, insured, or direct loan.
- Owning an interest in, being employed by, or operating an architectural, engineering or land planning firm which renders services to builders or

sponsors and later accepting an assignment from VA to appraise dwelling units built or to be built by a particular builder or sponsor for whom architectural, engineering, or land planning services have been rendered by the firm in which the fee appraiser has employment or an interest.

- Appraising dwelling units on VA assignments and later accepting exclusive selling rights for the homes.
- Appraising properties for builders or sponsors who are purchasing hazard insurance or title services with respect to those properties from a company in which the fee appraiser has an interest.
- Owning an interest in a project developed by a builder and accepting VA appraisal assignment in another area which the same builder owns, is building, or is handling as real estate broker.
- Having an interest in or representing building supply firms and accepting VA assignments on dwelling units built by builders or sponsors who deal extensively with such supply firms.
- Accepting a VA assignment to appraise property if the fee is contingent upon supporting a predetermined conclusion.

The above examples are not all-inclusive, but they do illustrate some obvious conflicts.

The provisions above do allow you to act as sales agent or broker in connection with a particular property. However, if you receive an appraisal request related to VA financing on that property, then you must immediately contact VA and request reassignment.

In summary:

- You must notify VA immediately if you are elected or appointed to public office, or if affiliated with any new lender, builder, or realty firm; or if you have a financial interest in the property to be appraised.
- You may not perform a VA appraisal on any property in which you have an interest or involvement or where there is or could be a conflict between your private interests and your duties and responsibilities to VA and to the veterans we all serve.

In addition to quality appraisal reports completed in timely fashion, the Department of Veterans Affairs expects and requires the **highest standards of professional conduct, courtesy, appearance, and customer service from its fee panel members**. Although you are independent contractors, remember that in the eyes of the veterans, lenders, real estate professionals, and other clients with whom you come in contact everyday, **you represent the VA**. While we recognize and respect your right to conduct your appraisal business as you see fit, be assured that VA likewise has the right -- and the responsibility -- to ensure that the Loan Guaranty program is administered first and foremost for the benefit of our veterans.

CHAPTER 2

VETERANS INFORMATION PORTAL (VIP)

The VIP is an Internet based application that provides links to integral applications pertaining to the VA home loan program, such as The Appraisal System (TAS) and e-Appraisal, as well as links to other government and VA websites. Appraisals are ordered through TAS. At the time the appraisal request is ordered and an appraiser is assigned the system will notify the assigned appraiser via an e-mail message of the assignment. The appraiser would then print the assignment verification form 26-1805 from the TAS system.

Registration

If you have never used the portal, you will need to register. Please go to the website at **vip.vba.va.gov** and click on the user registration box on the blue sidebar. Fill out all required information in the boxes provided and then select “submit”. You must enter the four digit appraiser I.D. number assigned to you and you must select Denver as your Regional Office (RO). The system will then assign you a password, which you can change at any time.

Whenever you try to log into the portal, you will be asked to provide your user name and password. Remember, your user name will always be your first name (dot) your last name in lower case (e.g.john.doe). If you wish to change your password at any time, please remember that passwords are case sensitive and must include three of the following four types of characters: Upper case, lower case, number, or symbol (e.g #). In addition, your password cannot resemble in any way a real word.

NOTE: If you forget your password, there is a box “lost user password” located on the blue sidebar on the initial login screen.

The Appraisal System (TAS)

Once you have gained access to the portal, scroll down the blue sidebar until you see “TAS”. Click on this link and you are in the system.

You are allowed and encouraged to perform the following functions:

- Check pending assignments.
- Find contact information for the requester.
- Check your availability status.
- View and/or change your personal information (e-mail, address, etc) Please note if you do change your e-mail address in TAS, you will also need to advise us of this change by sending us a message at 39/va262@vba.va.gov .
- Check, but not change your assigned geographical area.

The Assignment Process

Lenders and other requesters order case numbers and appraisals through TAS. TAS assigns fee appraiser for each case on a rotational basis, according to geographic areas (cities and/or counties) of coverage. All appraisers currently on the VA fee panel whose status is “active and available” are in the rotation and eligible to receive assignments.

When the requester has entered all necessary information on the screen, and hits the submit button, you will automatically receive an e-mail indicating you have an appraisal assignment.

In conformance with USPAP requirements, you are expected to make a reasonable attempt to obtain the sales contract and disclosure statement(s). Under no circumstances, however, are you to delay completing an appraisal assignment or uploading the report to e-Appraisals simply because the sales contract or disclosure statement(s) have not been received. Include a comment that these items were not forthcoming despite your requests and that the report was submitted without them for timeliness purposes.

Monitoring Your TAS Account

It is your responsibility to monitor your TAS account frequently. Checking daily will enable you to keep track of your workload and will alert you to new VA appraisal assignments as soon as the requester orders them. Your “appraiser pending assignments” list on TAS will display the case number, the subject’s property address, the name, address, and phone number of the person and company who ordered the appraisal, and the type of case (i.e. LAPP, IND, LGI or LPL). When viewing your pending assignments in TAS, we suggest you keep the following points in mind:

- If you receive a cancellation notice from the requester for any type of appraisal assignment, please notify VA of the case number and property address and the reason for the cancellation. Often the lender does not notify VA when a case is canceled. Until TAS is updated to reflect the cancellation, that case will continue to show on your pending assignment list.
- If you need to have a case reassigned due to conflict of interest or any other valid reason, contact the Denver VA office.
- e-Appraisal automatically updates TAS to reflect the receipt date of each uploaded appraisal. With e-Appraisal in place, you will not receive an acknowledgement of your uploaded report, but you can check e-appraisal and verify that your report is in the system.

Overview of “e-Appraisals”

E-Appraisals is an application on VIP intended for use by external users (SARs and Fee Appraisers). E-Appraisals offers a variety of functions:

- Allows the electronic upload of the appraisal by the appraiser and electronic retrieval of the appraisal by an authorized SAR or Servicer, as well as by VA staff.
- Interacts with TAS to record the receipt date of the appraisal. SARs or VA staff can run TAS reports listing “Appraisals Received” and “Pending Review”.

- All uploads into e-Appraisals are recorded and retained in FileNet, from where they can only be accessed by VA staff member.
- Only the last uploaded document is retained in e-Appraisals for retrieval by external users.

Uploading Appraisal Reports

Prior to uploading the appraisal report you must first ensure that the report is in .pdf format and is named correctly. All reports must be named starting with the VA case number and then (dot) pdf. For example, 46-46-6-0999999.pdf. It is important to follow this form **exactly** in order for the report to be successfully uploaded.

Once your appraisal report is in .pdf format and is named correctly, you are ready to upload the report into the e-Appraisals system. From the VIP Portal main screen, click on “e-Appraisals” under applications. The e-Appraisals main screen should appear. Click on “appraisal” and then “upload report” under the drop-down menu selections. Fill in all required information on this screen and click the submit button.

Toward the bottom of the next screen, you will see a box which says, “specify path to file”, and next to this box, a button that says, “browse”. Click the “browse” button. Locate the appraisal file on your computer in the box that follows and double-click on the report. The “specify path to file” box will populate with information. Once this is done, click “save”. A blue box will appear showing the progress of the upload. Once this process is complete, the report has been uploaded and is ready for review by VA staff or LAPP SAR.

Please note that all appraisal reports must be uploaded to this system, including LAPP appraisals. At times, you may experience problems with the availability of the e-Appraisal system. In these instances, you are instructed to e-mail the appraisal directly to the lender or to VA depending on whether the case is ordered as LAPP or not. You are then to upload the appraisal to e-Appraisals when the system is available

If you are experiencing problems with any applications associated with the VIP you can e-mail the VIP Help Desk at VIP@vba.va.gov or contact the Denver Regional Loan Center

You can obtain a user guide of how this system works by logging into VIP and selecting the e-Appraisals link. A user guide is available on the link.

CHAPTER 3

VA Quality Control

Desk and Field Reviews of Appraisal Reports

We conduct quality reviews on every appraisal report, prior to issuing a VA Notice of Value (NOV) on the case. The vast majority (approximately 97%) of the quality reviews being conducted on appraisals that will be used for loan origination purposes are conducted by SARs who work for lenders approved by VA under the Lender Appraisal Processing Program (LAPP). The remainder of appraisals being reviewed for loan origination purposes, are reviewed by VA staff review appraisers. VA also conducts post audit quality control reviews on a minimum of 20% of the appraisals being reviewed by LAPP SARs. These reviews are conducted by VA staff review appraisers for the purpose of determining if the SAR's review of the appraisal report was conducted in compliance with industry and VA standards. Every appraisal completed for liquidation purposes is also reviewed by either an approved staff appraiser working for the lender or by VA staff review appraisers. VA staff review appraisers also conduct appraisal field reviews on a minimum of 10% of each appraiser's work. When a substantive error finding has been identified for any appraiser, VA staff must field review a minimum 15% of that appraiser's work. **If you receive either a letter or an e-mail relating to a negative quality or timeliness finding and you are asked to provide a response, you must submit that required response. Failure to do so could result in disciplinary action. Please use these letters, e-mails or phone call contacts regarding deficiencies as a training tool when providing future reports.**

The review process is completed to verify:

- The report was submitted timely.
- The appraiser's conclusions of value are consistent, sound, supportable, and logical.
- The report was prepared in accordance with Uniform Standards of Professional Appraisal Practices (USPAP) standards and all VA instructions. In addition, all appraisal reports are subject to field review by VA staff or by the LAPP lender.

Quality Control and Standards

All appraisal reports are reviewed for both work quality and timeliness purposes. Non-acceptable quality or timeliness findings in any appraisal will be classified as a negative work quality or a negative timeliness finding. All negative work quality findings are further categorized according to their significance into *substantive* or *non-substantive* findings.

A *substantive* negative work quality finding will generally be assessed where VA has determined the fee appraiser made a serious error of fact or methodology that materially impacts the appraised value or condition of the property. Examples include, but are not limited to:

- Fraudulent reporting (misrepresentation of a material fact in the appraisal).
- Appraising the wrong property.

- Failing to require necessary MPR repairs that may negatively impact the veteran’s purchase.
- Repeating or failing to correct non-substantive errors after notification by VA.
- Continued disregard for VA instructions or requirements after they have been called to appraiser’s attention.
- Serious USPAP violations.

A *non-substantive* finding is generally one in which VA has determined that the fee appraiser made a relatively minor error of fact or methodology that did not impact the final value or the reported condition of the property. Examples include, but are not limited to:

- Failing to provide required information on the URAR (e.g., remaining economic life, HOA dues, trending statement, etc.).
- Misreporting of distances between subject and comps.
- Inconsistency within the URAR.**
- Inconsistency in making line item value adjustments.**
- Failing to adequately describe reasoning in support of large adjustments.**
- Making unsupported time adjustments.**
- Indicating an increasing market and not making a time adjustment on dated comps or not providing reasoning for not making time adjustment. **
- Making insupportable or “wrong-way” adjustments (plus instead of minus).**
- Not properly addressing sales/financing adjustments.**

**Could be considered to be of a substantive nature, depending on the degree to which it impacts value.

Administrative Disciplinary Action

Documented negative timeliness or quality findings can form the basis for administrative action by VA against a fee appraiser. Additionally, an appraiser who exhibits chronically deficient customer service, as evidenced by documented unprofessional conduct or repeated complaint calls and letters from program participants, may also be subject to administrative disciplinary action.

Summary of Deficiencies

Additional examples of unacceptable conduct or performance in the areas of timeliness, quality, or customer service have been described throughout the preceding chapters. VA expects all fee appraisers to adhere to our general guidelines in all of these areas. Failure to comply will form the basis for administrative action on the part of VA. Repeated violations will result in progressively more severe action. The following summary of deficiencies is not all inclusive but is intended to supplement the examples given in the preceding section:

- Substantive violation(s) of established VA policies or procedures.
- Substantive negative work quality finding(s) of a nature that would materially or significantly impact the value or condition of the property.
- A series of non-substantive negative work quality findings, which in the aggregate establish a pattern of careless or negligent performance.
- Technical incompetence (i.e. appraisal reports which demonstrate insufficient knowledge of industry accepted principles, techniques, and practices).

- Improper conduct (i.e. conduct or behavior not befitting a professional and/or not in the best interest of VA or of the VA program).
- Continued disregard for VA requirements after they have been called to the appraiser's attention.

In instances where an appraiser chooses to disregard these guidelines, VA is mandated to take corrective action. VA has discretion to employ a wide variety of administrative actions (i.e. disciplinary actions), to include removal from the panel as circumstances dictate.

Complaints

The VA Regional Office shall consider a lender's valid report of complaint as a basis for administrative (disciplinary) action. Administrative actions, if appropriate, shall be based upon a thorough VA review of:

- The facts and evidence presented in support of the allegation(s).
- Full consideration of any response provided by the fee appraiser.
- The number of previous cumulative negative findings and/or complaints documented in the fee appraiser's performance folder.

Disciplinary Due Process

Any fee appraiser receiving notification that assignments are being withheld, or that other administrative or disciplinary action is being taken, will be afforded the opportunity to appeal the action in writing or in person, or both, by requesting a meeting with the Fee Roster Committee at the Regional Loan Center in Denver, Colorado. The Fee Roster Committee typically consists of the Loan Guaranty Officer, the Assistant Loan Guaranty Office, and the Valuation Officer. Appellate rights and procedures will be explained in detail within the disciplinary action letter. If, after all due process and appellate procedures have been exercised, the disciplinary action is upheld, the fee appraiser is subject to having his or her name, and the reason for the disciplinary action, reported to the state licensing authorities and/or any professional appraisal organizations of which the appraiser is a member.

CHAPTER 4

TIMELINESS

Lender's Handbook Timeliness Guideline

Chapter 11 of the Lenders Handbook provides timeliness guidelines for both requesters and fee appraisers. In summary, the Handbook states:

- Fee appraisers must complete *VA assignments as quickly as appraisals for conventional loans* are completed in the area where the property is located. An exception may be allowed in a particular case if:
 1. Valid extenuating circumstances are documented, and
 2. The appraiser notifies VA (or the lender's staff appraisal reviewer (SAR) in LAPP cases).
- VA offices will consider adding appraisers to the fee panel in areas where timeliness of VA appraisals has been a consistent problem.

A timeliness survey of lenders was conducted in March, 2008. Below are the results.

Denver RLC Timeliness Standards (Revised 4/16/08)

<u>State</u>	<u>Business Days</u>
Alaska	
Anchorage/Eagle River	10
Kodiak	15
Fairbanks	10
Juneau	10
Ketchikan	21
Kenai	28
Wasilla	14
Colorado (All expect as noted below)	5-7
Denver/Colorado Springs/Pueblo	3/5
Grand Junction	10-14
Idaho	
Boise Area	5
Coeur d'Alene	5-7
Idaho Falls	5
Lewiston	5-7
Nampa	5-7
Pocatello	7-8
Mountain Home	5-7
Twin Falls	5-7
Rural Statewide	10

<u>State</u>	<u>Business Days</u>
<u>Montana (State Wide Other Than Noted Below)</u>	7
Billings	7-10
Missoula	7
Kalispell	14
<u>Oregon</u>	
Statewide	7
Eastern Rural	15
<u>Utah</u>	
Statewide	5
<u>Washington</u>	
Statewide	5-7
<u>Wyoming</u>	
Statewide	7-10

Additionally, VA Central Office has established a national standard of five workdays for all liquidation assignments.

An explanation is required on all cases submitted late. Use the comments section of the addendum to document the length (number of days) and the specific reason(s) for each delay. Any delays that are reasonably outside the appraiser's ability to control (assuming due diligence) will not be counted against you.

If you experience any of the following types of delays that will cause you to miss a timeliness standard, report it to the Regional Loan Center and we will notify the requestor the appraisal is being cancelled until issues have been resolved:

Delays Requested by Lender, Builder, etc

If the requestor asks you to delay the appraisal assignment for any reason (for example, seller is on vacation, customer preference items not yet installed, etc.) **and** this delay would result in the appraisal report not meeting VA timeliness standards by ***fewer than seven calendar days***, you should:

- require the requester to provide you a ***written request*** for such delay **and**
- include a copy of the request in your appraisal package (scan and attach to your PDF appraisal)
- fully document the delay in your comments.

If the expected delay would result in the appraisal missing VA timeliness standards ***by seven or more calendar days***, you should contact Denver C&V for guidance prior to agreeing to such request.

Reassignment of Untimely Appraisals

In the event a requestor contacts VA for assistance with a *late appraisal* and

- the requestor claims non-responsiveness on the part of the assigned fee appraiser (or inability to even make contact), and
- VA, after reasonable attempts, is likewise unable to contact the appraiser or to otherwise ascertain whether or not the appraisal has been completed,

that appraisal is subject to reassignment to another appraiser. Additionally, the original appraiser's fee will be forfeited and a timeliness error will be charged.

You should be aware that continued failure to comply with VA timeliness requirements may result in administrative (i.e., disciplinary) action up to and including **Limited Denial of Participation (LDP)**.

CHAPTER 5

FEE APPRAISER RESPONSIBILITIES

Appraisal Reports

The fee appraiser must view the interior and exterior of every existing construction subject property. In addition, the fee appraiser is responsible for all aspects of the appraisal process, including the final estimate of value.

Important: Certain key appraisal functions may not be delegated to anyone else. Failure to comply with this requirement will be grounds for immediate disciplinary action. Specifically, the fee appraiser assigned by VA must **personally**

- Visit and observe the interior and exterior of the subject property and the exterior of each comparable. (The sole exceptions are on liquidation cases where entry to the subject property has been denied or may otherwise not be possible).
- Select, visit, observe, and analyze each of the comparable sales used in the report
- Complete the Market Data Analysis
- Make the final value estimate, and
- Sign the appraisal report as the appraiser.

The VA fee appraiser may not delegate any of these four important functions to an assistant, even though that person may be licensed or certified. The individual who signs the URAR as the appraiser must be the VA fee panel member who was assigned on the rotational basis by VA.

VA fee appraisers must comply with USPAP standards and VA policy concerning assistants. An appraiser who has relied on significant professional assistance from any individual in the performance of the appraisal or the preparation of the appraisal report must name the individual and the specific tasks performed in the reconciliation section of the report.

The URAR (and the accompanying Freddie Mac 439/Fannie Mae Form 1004B) acknowledges the use of assistants. The URAR further allows that, in some States, compliance with the intent of the Real Estate Appraisal Reform Amendments (Title XI) of FIRREA is assumed to have occurred when an unlicensed or uncertified appraiser working as an employee or subcontractor performs a significant portion of the appraisal (or the entire appraisal, if he or she is qualified to do so), as long as the appraisal report is signed by a licensed or certified supervisory appraiser. While the URAR format allows for this practice, be advised that **this is not acceptable to VA.**

Essentially, the activities that an assistant can perform alone without the VA fee appraiser are extremely limited. VA will allow an assistant to sign a report as an assistant in order to document qualifying experience for future licensing and certification purposes. However, even in this situation, the primary signatory on the report must be the authorized fee appraiser. Failure to comply with VA's requirements in this area will constitute a basis for removal from the fee panel.

Repair Inspections

When VA or a LAPP SAR issues a NOV that includes repairs, the fee appraiser may be requested to certify that the repair(s) have been completed. In these cases:

- You should be careful to address the repairs **as stated on the Notice of Value (not** as they were stated on your URAR - some of them may have been changed!).
- Your certification to clear required repairs are to be submitted on your letterhead and uploaded to e-Appraisals along with a full copy of the appraisal package. Do not just upload your repair certification, as this will wipe out your appraisal report. Do not use VA Form 26-1859 (Compliance Inspection Report) to clear repair requirements. The repair certification (without the appraisal) should also be sent to the requester by e-mail.
- Fee appraisers are **not** authorized to accept or approve a request for waiver of repairs or other appraisal conditions. Such requests must always come to VA for review.

Additional Requirements

- **Do not perform any appraisal request not assigned to you in TAS unless specifically instructed to do so by VA.**
- Please place your VA ID number next to your name on all correspondence sent to VA.

Guidelines for Communicating with Parties of Interest

Fee appraisers may not discuss valuation, conditions, or any other issues relating to the contents of their completed appraisal reports with anyone except VA staff or the SAR.

Any party of interest may contact fee appraisers only to inquire about the status of the assignment and the expected time frame for completion. If one of these other parties attempts to engage you in a discussion of the appraisal contents, you should ***politely decline to discuss the report*** and refer them to the LAPP SAR or to VA. There are ***two partial exceptions*** to this rule:

- Once the appraisal report has been uploaded to e-Appraisals, and the NOV issued, the Lenders Handbook permits any party of interest to request a reconsideration of value from the fee appraiser. While such requests should go through the lender on LAPP cases or through the VA on non-LAPP cases, you might on occasion be contacted directly. In that event, you should politely explain the reconsideration of value process can be coordinated best and most efficiently through the lender or VA. The Lenders Handbook does, in fact, require the issue to be handled in that manner.
- Parties of interest other than the SAR ***may*** contact fee appraisers for clarification of repair requirements and/or to schedule repair inspections. You should cooperate on such requests.

Note: LAPP lenders are responsible for the actions of their authorized agents, correspondents, and affiliates.

CHAPTER 6

TYPES OF APPRAISAL ASSIGNMENTS

The VA Home Loan Program allows a veteran to purchase a single real estate entity consisting of from one to four units. The types of appraisal assignments you may receive are:

- Existing Construction
- Alterations, Improvements, or Repairs
- Common Interest Communities (Condominium and Planned Unit Developments (PUDs))
 - Appraisal requests could be existing construction, new construction, or proposed/ under construction.
- New Construction
- Proposed or Under Construction
- Manufactured Housing on Permanent Foundations
- Liquidation
- Master Certificates of Reasonable Value (Specialized Assignments Not Assigned on Rotational Basis).
- Cooperative Dwellings (Specialized Assignments Not Assigned on Rotational Basis – VA Circular located on webpage indicated on pg. #4).

Appraisal Report Forms

- **Single-Family (not condominium):** URAR Freddie Mac Form 70/Fannie Mae Form 1004.
- **Manufactured Homes:** Freddie Mac Form 70B/Fannie Mae Form 1004C.
- **Condominium:** Freddie Mac Form 465/Fannie Mae Form 1073.
- **2-4 Family:** Freddie Mac Form 72/Fannie Mae Form 1025
 - (The supplemental Income/Expense Form is NOT required)
- **Liquidation (exterior only):** Freddie Mac Form/Fannie Mae Form 2005
 - Used only for single family non condominium and non manufactured home liquidation assignments.

Note: You must use the above forms with the revised date of March 2005.

Existing Construction

To be considered existing construction a property must have been either previously occupied or be over 1 year old. These properties are appraised in their “as is” condition unless VA Minimum Property Requirement (MPR) repairs exist. If this is the case, these MPR repairs would be listed and the property would be appraised “as repaired”.

Alterations, Improvements, or Repairs

This type of appraisal involves a veteran who already owns the property and wants to include certain alterations, improvements, or repairs, which have not yet been completed, in the appraised value. This type of request would have to include appropriate documentations (appropriate plans and specifications) for the alterations, improvements, or repairs being made. The appraiser would then include these items in the value estimate. The report would be contingent upon these items being completed.

Common Interest Communities (Condominium and Planned Unit Developments (PUDs)

Condominium project must be approved by VA prior to the property being appraised. Please check our website at: <http://condopudbuilder.vba.va.gov/2.2/frames.html> to see if the condominium project is approved. If the link does not work, please type the address directly to the Internet. It would help if you did not type in the complete name of the condominium project. For example if the project name is Meadowland Condominiums you should type something like Mead*. This will then pull up all projects starting with these letters. If the condominium project is not approved, please inform VA and the request will be cancelled. You do not have to check the approval list for any appraisal ordered as a PUD.

New Construction

This type of assignment involves a newly constructed property that has not been previously occupied and is under 1 year old. The property must be 100 percent complete except for customer preference items like installation of appliances, countertops, and floor coverings. These properties are appraised in their “as is” condition unless customer preference items have not yet been completed. In that case, the appraisal would be “subject to the completion” of those items. No plans or specifications are required for this type of appraisal assignment. If the stage of construction is anything but at the completion of customer preference items only, notify VA and the case will be cancelled until the construction has been completed.

Proposed or Under Construction

Detailed instructions appear in the Lender’s Handbook, mostly in Chapters 10 through 12. Required construction exhibits are listed and described on pages 10-21 and 10-22. The following highlights and/or supplemental guidelines are provided for reference:

- When appraising proposed construction cases, only those features incorporated in the plans and specifications are to be considered in the estimate of reasonable value.
- VA Form 26-1852 Description of Materials is no longer specifically required. The builder may use an alternate format as long as it is sufficiently detailed for VA appraisal purposes.
- Plans and specifications must be scanned and included with the appraisal report. (8-1/2” x 14” is usually the largest that can be scanned)
- **If the appraisal assignment is ordered as proposed or under construction, you **must** be provided with a set of plans and specifications. If you go out to the property and see that the construction has been completed, you need to measure the property and make sure the property was built per the approved**

plans and specifications. You then indicate on your appraisal that property was appraised per plans and specifications. **Note: If the existing house does not match the plans and specifications, please contact the Denver Regional Loan Center for advice on how to proceed.**

The following must also be included for all proposed/under construction appraisal types:

Appraiser’s Certification

The following appraiser’s certification must be attached to all VA proposed cases:

“I hereby certify that the information contained in ___[specific identification of all construction exhibits (e.g., Smith Construction Plan Type A, 9 sheets, VA Form 26-1852, plot plan by Jones, Inc.)] was used to arrive at the estimate of reasonable value noted in this report.”

Certification from Architect, Surveyor, Land Planner, or Engineer

Additionally, in all proposed constructions cases, VA will require certifications from architects, surveyors, land planners, or professional engineers, or other technically qualified individuals approved by VA for such purposes, that the drawings or plans and related specifications submitted are in conformity with applicable VA MPRs. The certification will read as follows:

“I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials’ Model Energy Code and the requirement for lead-free water piping.”

Plan Certifier’s Signature	Certifier’s Title	Code Number	Date of Certification
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[Note: VA will accept HUD Form 92541, Builder’s Certification of Plans, Specifications and Site, in lieu of this certification.]

Appraisals for proposed or under construction cases are to be completed from either a complete set of plans and specifications **or from an inspection of the same type model unit.**

Note: New Instruction - VA Circular 26-07-3 dated November 30, 2007, allows appraisers to complete appraisal assignments for proposed construction from the model home instead of from plans and specifications if the model is

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

Please refer to the above Circular for further details. (Not applicable for “New Construction”)

When appraising from plans and specifications they must include the following information:

- Specifications on VA Form 26-1852, Description of Materials, or similar designed form signed by builder and veteran
- Plot plan, which includes location of well/septic, if applicable
- All exterior elevations
- Sectional wall details
- Foundation or basement plan
- Plan for all floors
- Plan certification by a technically qualified and properly identified individual, such as builder, architect, or engineer, which states
 - “I certify that these construction exhibits meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 CABO Model Energy Code and the requirement for lead-free water pipes”.
- The following appraiser’s certification must be attached to all VA proposed or under construction cases, which are appraised from plans and specifications:
 - “I hereby certify that the information contained in _____(specify identification of all construction exhibits, e.g. Smith Construction Plan A , VA Form 26-1852 Description of Materials, etc) was used to arrive at the estimate of reasonable value noted in this report”.
- If case is proposed or under construction and is being appraised from a model home, per instructions contained in VA Circular 26-07-03, the appraiser must include the following certification in the comments section at the bottom of page 1:
 - “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 _____”.

Manufactured Housing on Permanent Foundation

The detailed instructions provided in the Lender’s Handbook supersede the various local policies that had been previously in effect at the Regional Offices. Because the appraisal-related requirements are scattered throughout several Lender’s Handbook Chapters, you may find the *Manufactured Housing Summary Sheet* useful as an at-a-glance reference.

Other relevant information in regard to manufactured housing appraisals includes the following:

- As with all real property appraisals for VA, requests will be ordered through TAS.
- Appraiser must state on the URAR that the subject manufactured home is or is not on a permanent foundation (including a permanent perimeter enclosure).
- If the subject manufactured home is not on a permanent foundation, appraise it as if it were on an acceptable permanent foundation and condition your URAR “*subject to repairs . . .*”
- The sale of other manufactured homes on permanent foundations shall be used as comparables in the market data analysis. If the appraiser’s report states that such

comparables are not available, the appraiser may use the best comparables available and adjust as appropriate in the market grid.

- Perimeter enclosures must meet the requirements of the local authority and additionally must
 - ⇒ Be solid.
 - ⇒ Have adequate ventilation.
 - ⇒ Have an access to the crawl space.

- If there is no access to the crawl space, contact the requester and have them make arrangements for access so you can view this area for any potential problems.

The tongue, wheels and axles must be removed. Be sure to condition your URAR accordingly (“*subject to removal of . . .*”)

This following summarizes the various *Lender’s Handbook* References regarding Manufactured Housing appraisal requirements. Consult the Lender’s Handbook itself for the fully detailed instructions.

- Basic Requirements (Pg. 10-10)

To be eligible for a VA loan term of 30 years, a manufactured home must be

- classified and taxed as real property
- properly affixed to a **permanent foundation** (Section 12.10)
- substantially conform with VA MPRs (Chapter 12), and
- conform with applicable building code and zoning requirements for real estate

- Specific Requirements

Existing Construction (Pg. 12-20): Foundation for a manufactured home has been fully completed and the manufactured home unit has been installed. There are two MPR-related requirements:

- The site, manufactured home unit, and other on-site improvements must meet VA MPRs for existing construction (Chapter 12).
- The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads, and is acceptable to the building authority having jurisdiction.

Note: If the fee appraiser has reasonable doubts as to the acceptability of the foundation system *where there are no local requirements*, the appraisal report may be conditioned for a statement of acceptability from a registered professional engineer. Considering their cost, such statements should be required only when necessary and not just as a measure of liability protection for fee appraisers.

- Proposed or Under Construction (Pg. 12-21): Foundation for a manufactured home has **not** been fully completed and the unit has **not** been installed. Appraisal will be based on plans and exhibits as well as inspection of the unit if on site or at the dealer’s lot. There are two MPR-related requirements:
 - The site and on-site improvements (but not the manufactured unit itself) must meet the VA MPRs for proposed construction (Section 12.02).
 - The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads

and wind overturning loads, and is acceptable to the building authority having jurisdiction.

Note: If the fee appraiser has reasonable doubts as to the acceptability of the foundation system *where there are no local requirements*, the appraisal report may be conditioned for a statement of acceptability from a registered professional engineer. Considering their cost, such statements should be required only when necessary and not just as a measure of liability protection for fee appraisers.

Liquidation Appraisals

Detailed instructions outlining specific VA requirements for performing liquidation appraisals are found in the Lender's Handbook, pages 11-27 through 11-30. The following highlights are offered for emphasis. The liquidation appraisal timeliness standard has been established at 5 business days because of the number of foreclosure sales being missed and the attendant cost to the government of such "passed sales". The VA also has a very strong commitment to reduce the number of homes veterans lose through foreclosure. We have instituted a program that is designed to reduce the foreclosure rate by working with veterans and loan servicers to provide alternatives to foreclosure. The value indicated on the liquidation appraisal report is an important tool in this process. Consequently, the appraisal report must be submitted timely in order for this process to work properly. The savings to the government can be substantial every time we are successful in providing alternatives to foreclosure.

Appraisers must make three attempts to gain access to occupied properties. These attempts can include telephone calls to the owner and a visit to the property. These attempts should be made at various times during the day. You need to make every reasonable effort to gain access.

You may complete an "exterior only" appraisal if:

- A property is occupied, and the occupant refuses access. You should document your report and complete an exterior appraisal without further delay.
- You have made three reasonable attempts to contact the owner/occupant for access and have been unsuccessful.
- You have made one appointment which has been broken.
- When you are unable to gain interior access, make every reasonable effort to verify the interior condition. If this information is not accessible, you are to make reasonable assumptions about the interior condition.

Make sure you properly document all attempts at access.

Conducting the Appraisal On Vacant Properties

- You must gain proper and legal access to all vacant properties.
- If you are having difficulty gaining entry to a vacant property (i.e. no contact info on 1805, wrong keys, etc.) you should send an e-mail the Regional Loan Center for assistance at: 39/va262@vba.va.gov or call 1-888-349-7541 option 1.
- Your timeliness on these assignments starts once access to the interior has been granted. Make sure you document all access attempts and the date you are given access.

Interior access must be gained on all liquidation appraisals (vacant or occupied) ordered as VA Refunding, Compromise Sale, or Deed in Lieu of Foreclosure.

URAR Must Be “As Is”

- All liquidation appraisals will be performed considering the subject property in its present “as is” condition. It is important to understand that by “as is” we simply mean that the property is to be considered as it presently stands with whatever physical inadequacies may exist, if any. Furthermore, the term “as is” does not imply that the property is necessarily in a poor state of repair. A property that is in a good state of repair with no physical inadequacies is also considered “as is.” To arrive at the “as is” value, fee appraisers are to make appropriate adjustments in the sales comparison analysis to reflect needed repairs and/or physical inadequacies present in the subject property at the time of the appraisal. Both required MPR repairs *and* non-MPR (or cosmetic) repairs should be considered if they would enhance the value or marketability of the property to the typical buyer in the local real estate market.
- The fee appraiser will provide an itemized list of all repairs (MPR and non-MPR) considered necessary and which affect the marketability of the property. The itemized list will indicate the estimated cost to cure and the contributory value, if any, of each repair. In estimating the contributory value, it should be recognized that cost does not always equal value and that in some cases, several individual repair items must be considered in the aggregate before they are recognized by the general real estate market as contributing to value. The required format for the repair list is included as part of the attached *Liquidation Appraisal Addendum* .

Selection of Comparable

- Comparables must be the best available in the subject’s market area, considering typical transactions and actions of typical buyers and sellers.
- Comparables must not be restricted solely to those in a similar “as is” condition. A property in the immediate area but in better condition than the subject may, with proper adjustments to the sales price, be a better indicator of value than a comparable in a similar condition but in a different area.

Required Liquidation Addendum

In addition to the itemized repair list and the documentation on access attempts, the Liquidation Appraisal Addendum requires the following additional information:

- Emergency Repairs - Beyond the MPR repairs and non-MPR repairs as discussed above, the fee appraiser must also provide a list and cost estimate of any emergency repairs that are required to preserve or protect the property from vandalism, extreme weather conditions or to protect the public.
- Occupancy Information - (if necessary, use “Comments/Continuations” section)
 - ⇒ If **vacant**, recommendations for draining the heating and plumbing systems, shutting off power, and locking doors and windows (this information may be included with the “emergency repairs”)
 - ⇒ If **owner-occupied**, the occupant’s name
 - ⇒ If **tenant-occupied**, the tenants/occupants’ name(s), period of occupancy, lease terms and expiration date, monthly rental, dates of payment and to whom payable.
- Analysis of Competitive Listings or Contract Offerings - Fee appraisers shall provide in all liquidation appraisal cases, in addition to the three closed sales on the appraisal report form, information on at least three competitive listings or contract offerings considered the most similar and proximate to the subject property and certain general market information as specified below. This information is intended to lend additional support to the value estimate and assist VA staff in evaluating competing market conditions and trends affecting the subject property (especially in areas that are experiencing significant market fluctuation, negative or positive). It is also intended to assist in ensuring that fee appraisers are reconciling the closed sales data with current market conditions. *Note that an “analysis of listings and offers” is required, as part of the Liquidation Appraisal Addendum, for all liquidation appraisals* (unlike origination appraisals, for which the Lender’s Handbook mandates the use of a listings/offers addendum only if a time adjustment is made or if a “significant market transition” is indicated).

[Liquidation Appraisal Addendum - Sample Format]

LIQUIDATION APPRAISAL ADDENDUM FOR CASE NO. _____

INTERIOR ENTERED? ____ (if unable to gain access, show at least three earnest attempts):

	<u>Date</u>	<u>Time</u>	<u>Phone</u>	<u>Contact</u>	<u>Comments</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____

PROPERTY VACANT OR OCCUPIED? _____ **PROPERTY SECURED?**

REPAIRS NEEDED? __ (indicate emergency repairs with an asterisk by the number):

<u>Description</u>	<u>VA MPR Violation?</u>	<u>Est. Cost</u>	<u>Estimated Contributory Value</u>
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
	Totals	\$ _____	\$ _____

ANALYSIS OF LISTINGS AND OFFERS:

No. 1 - Sales Price (current and previous with dates of change) \$ _____

Days on Market ____ Comparison with Subject

No. 2 - Sales Price (current and previous with dates of change) \$ _____

Days on Market ____ Comparison with Subject

No. 3 - Sales Price (current and previous with dates of change) \$ _____

Days on Market ____ Comparison with Subject

COMMENTS/CONTINUATIONS:

Fees and Payment Issues

Fee Schedule July 2009

State	Single Family	Duplex	Tri-plex	4 Plex	Condo	*Liquidation Appraisals	Repair Inspection
Alaska	\$625	\$800	\$850	\$900	\$625	See Below	\$100
Colorado	\$400	\$600	\$625	\$650	\$400	See Below	\$100
Idaho	\$450	\$650	\$675	\$675	\$475	See Below	\$100
Montana	\$500	\$600	\$625	\$650	\$500	See Below	\$100
Oregon	\$500	\$600	\$625	\$650	\$500	See Below	\$100
Utah	\$425	\$650	\$650	\$650	\$425	See Below	\$100
Washington	\$500	\$650	\$750	\$800	\$500	See Below	\$100
Wyoming	\$500	\$600	\$625	\$650	\$500	See Below	\$100

NOTE: The above indicated fee for single family, duplex, triplex, 4-unit, and condo appraisals includes a \$50 VA Nationally approved fee for the completion of the 1004MC form. This form is required on all VA appraisals, to include liquidation appraisals. (This fee is effective for appraisals with an effective date of August 1, 2009, or later).

**If the appraisal is completed for liquidation appraisal purposes, appraisers are authorized to charge an additional \$50 fee above the fee indicated for the particular type of appraisal shown above. (This fee is effective immediately)*

Any allowable mileage fee is calculated at the current allowable GSA mileage. The website address is: http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=9646.

Payment Assistance Policy

- Appraisers who have indicated they are not having problems with fee collections have indicated when they receive the assignment, they call the requestor and ask to whom they should submit their bill. They have indicated this is helping with timely payment of their bills.
- If you do experience payment problems, we will assist you with collection of fees that are over 60 days late. **Please send us an e-mail containing a copy of your invoice, your attempts to collect your fees, and the individual's name and e-mail address with whom you have communicated.** We will contact the lender to assist you with receiving payment. **Please advise us via e-mail once you have received payment, so we can delete from our records.**
- A fee appraiser may **not** unilaterally require a "fee in advance" for any assignment. The decision to require "payment(s) in advance" of assignment completion **can be approved by Central Office only.**
- **Under no circumstances, may a VA fee appraiser (without specific written VA authorization) delay completion of an assignment or withhold release of a completed appraisal report because of untimely payment of an appraisal fee on a prior case.**

CHAPTER 7

VA APPRAISAL REQUIREMENTS

***Note:** As stated in the Introduction, the revised Lender's Handbook, particularly Chapter 11, will be your primary reference regarding VA Appraisal Requirements. The following information is provided to emphasize or to supplement the Lender's Handbook material.*

Definition of Market Value

The most common definition of value used for real estate appraisals in the U.S. is referred to as *market value*, *fair market value*, or sometimes *true market value*. Commonly, the definition set forth in U.S. Federally regulated lending institutions is used, although other definitions may also be used under some circumstances:

The most probable price (in terms of money) which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: the buyer and seller are typically motivated; both parties are well informed or well advised, and acting in what they consider their best interests; a reasonable time is allowed for exposure in the open market; payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

VA's definition is consistent with the above definition and directs appraisers to determine the most probable price which a property should bring in a competitive market, under all conditions requisite to a fair sale, with the buyer and seller acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

USPAP

Every VA appraisal must meet the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a complete appraisal, but may be issued as either a Self-Contained or Summary Appraisal Report.

Selection of Comparable Sales

The selection of comparable sales in residential valuations is one of the most critical aspects in determining the estimated value for the property. It is paramount the appraiser has the experience necessary in the market area of the subject property to research and analyze comparable sales, which represent the value characteristics necessary. Comparable sales must be within generally accepted parameters for all

elements of comparison. Deviation from these generally accepted parameters must be fully documented.

Approaches to Value

Sales Comparison Approach:

For most VA appraisals, this approach will be your primary, if not exclusive, indicator of final value. Key points to keep in mind:

- At least three (3) *confirmed closed sales* of comparable properties must be utilized. Ideally, the comparable sales should bracket the subject's Gross Living Area (GLA) and estimate of value. If the sales do not bracket the value conclusion, a supporting explanation and/or additional closed sales, pending sales, or listing data are required.

Additional current sales data may be required (Closed, Pending, Listing) under the following circumstances:

- If two of the three sales have closing dates older than six (6) months.
- When the adjusted values indicated by the comparable sales are too widespread (total spread, high or low, exceeds 15%), or are inconclusive.
- If two of the three sales required excessive adjustments.
- When the market is declining/increasing, and additional support for a time adjustment is required. When the market is declining or increasing, you must provide comparable listings to support your market trends and any adjustment for date of sale.

Income Approach:

- If the appraisal involves an income-producing property (*more than one living unit*), the appraiser will use value estimates developed through *the income approach including the rental comparison grid, and the sales comparison approach* in the final reconciliation. **NOTE: The supplemental Income/Expense form is not required for VA purposes.**

Cost Approach:

- VA does not require you to complete the cost approach to value on any proposed, new, or existing property, unless you believe it is relevant to your assignment. Since the residential real estate market does not base transaction decisions on a property's reproduction or replacement cost, the cost approach to value may only be used to support the sales comparison approach in the final reconciliation. This may be warranted in rare situations (due, for example, to some unusual aspect of the subject) where the comparable sales alone do not provide an adequate indication of value. Although not required, if you included the cost approach in your work file, please submit it on the URAR. **Note: You are no longer required to indicate a site value on the URAR. However, if you do indicate a site value, you must complete the cost approach.**

Property Inspection

- You are expected to view all aspects of the subject property in accordance with generally accepted appraisal practices. During the course of conducting your appraisal, you are to note any readily observable property conditions that fail to meet VA’s Minimum Property Requirements (MPR’s).
- You are not expected to enter attics or crawl spaces. You are expected to use a flashlight to view the condition of both the attic and crawl space to determine if there is any visible evidence of deterioration, structural problems, moisture, etc.
- Photos could be provided as support for indicated deficiencies or as support for some external obsolescence adjustment.

Completing the Uniform Residential Appraisal Report (URAR):

The URAR should be fully completed. Be sure to **complete all items on the URAR**; do not leave any item blank. Indicate N/A if any field does not apply. Do not use phrases such as see addendum unless the space provided does not allow full disclosure. **You can also use the addendum on the last page of this guide to report on the indicated information.** Below are some areas of specific note.

A. Subject Section

1. Full VA case number with “LAP” prefix, if case is LAPP appraisal.
2. Subject address. If address is a rural route and box number, please provide the street or road name and a good location and plat map.
3. All appraisals must have a complete legal description.
4. Current taxes, including special assessments.
5. **Borrower:** This entry must state for all appraisal type: **“Intended User: Any Qualified Veteran”**. Do not indicate the specific borrower’s name under this entry. **NOTE: In the owner of public record field you are to indicate the owner’s name, even if the owner is a veteran.**
6. Property rights should be appraised as Fee Simple. Properties with undivided interest must be on the VA Condo approved list and the appraisal completed on the condo form.
7. PUDs must show monthly HOA dues in space provided.
8. **Lender/Client:** For this entry you are to state: **“The Department of Veterans Affairs”** for all assignments.

B. Neighborhood Section

Your report must accurately reflect market conditions, to include trending information. This information must reflect both increasing and declining trends and must be consistent with the information provided in the sales analysis and throughout the entire report.

**Items may be provided on “Client Requirements Addendum” in lieu of URAR.

1. Neighborhood market analysis should be consistent and relate to all other analysis and comments throughout the report.
2. Predominant occupancy grid.
3. Single family housing.

- a) price - typical range, predominant value.
 - b) age - typical range, predominant age.
 - c) in comments, describe the types, ages, and unit mix of the neighborhood.
 - d) address any marketability factors relating to the subject property if it is outside of the typical or predominant age/value range of the neighborhood.
4. Present land use grid.
 5. Land use change grid.
 - a) comment on any rating other than "not likely".
 6. Neighborhood boundaries.
 - a) delineate the north, south, east, and west boundaries of the neighborhood based on major arterial streets/roads or other geographic or governmental demarcations.
 - b) include in this part or in your Client Requirements Addendum, the following statement **:I have considered relevant competitive listings and/or contract offerings in performing this appraisal” etc....**
 7. Comments - Use an addendum, if necessary, to fully describe:
 - a) location of community.
 - b) amenities.
 - c) locational deficiencies and/or
 - d) inharmonious buildup which affects marketability and/or market value.
 8. Market conditions - comment on:
 - a) predominant financing in area.
 - b) the existence (or nonexistence) of sales or financing concessions in the subject's market area and make a statement regarding any effect they have on the sales prices of comparable homes. This reasoning must then be carried over and reflected in the sales comparison approach.
 - c) ** whether marketing time (listing period) in subject's market area is increasing or decreasing (e.g., “In the last 3 months, the listing period in the subject's market area has decreased from 180 days to 90 days).
 - d) ** average list price to sales price ratio.

C. Site Section

1. Provide accurate lot size, frontage, and depth.
2. Identify if corner site, cul-de-sac, etc.
3. Indicate zoning - both specific community designation code and description required, identify equestrian zoning, if applicable.
4. Identify highest and best use - comment required if this is other than "present use."
5. Utilities block
 - a) when utilities are not public, indicate actual source.
 - b) specify whether water and sewer are public or private; wells are individual or community.
 - c) if public water or sewer is available in close proximity but subject is not connected, appraisal must be conditioned for connection.
6. Off site improvements block.
 - a) describe type of street surfaces - comment if not typical for neighborhood.
 - b) indicate if private road - if so, property acceptability is subject to submission of evidence of **both**.
 - legal right of access (i.e., recorded easement) and

- maintenance agreement (if maintenance cost to assure year-round access is significant, must be conditioned for approval).
7. Site description block - describe site as to:
 - a) topography, usable land
 - b) size
 - c) shape
 - d) drainage
 - 1) indicate whether adequate or inadequate.
 - 2) if inadequate, explanatory comments are required and appraisal must be conditioned for correction of drainage problem.
 - e) view - describe (e.g., residential, commercial, park, water, golf course, etc.).
 - f) landscaping - describe (full, front only, minimal, etc.).
 - g) driveway surface (asphalt, all-weather, gravel, etc.).
 - h) apparent easements.
 - i) flood hazard information.
 - 1) specify whether the subject property is in a FEMA (Federal Emergency Management Agency) Special Flood Hazard Area.
 - 2) identify FEMA zone, FEMA map number, and map date.

New and Proposed construction cases: If you determine lowest floor level of the property is located in a flood zone beginning with the letter A, notify the lender and the VA that the property is not eligible and that the case must be cancelled.
 8. Comments (use addendum if necessary) - describe any
 - a) deficiencies which may detract from the marketability or value of the site -- if none were noted, state: "NO ADVERSE CONDITIONS NOTED".
 - b) favorable features that may enhance marketability or value.

D. Improvements Section

1. General description
 - a) units: should be 1 (if 2 to 4 living units, use the Small Residential Income Property form rather than the URAR).
 - b) stories: 1.0, 1.5, 2.0, 2.5, etc.
 - c) type - indicate attached or detached.
 - d) design: indicate style (example: ranch, colonial, Cape Cod, split-level, bungalow, etc.).
 - e) existing/proposed - indicate status of construction.
 - f) age - actual chronological age in years (if less than one year, specify number of months or provide date of completion) effective age:
 - 1) stating as a narrow range is acceptable.
 - 2) any significant variance from actual age should be reflected in a condition adjustment and explained in detail under comments section.

2. Foundation description
 - a) slab/crawl/basement/sump pump
 - 1) indicate yes, no, none, etc., as applicable.
 - 2) explain variance of foundations (e.g., slab under family room, crawl under rear addition, etc.).
 - b) dampness/settlement, infestation - indicate “yes” or “none observed,” as appropriate [*Note: if evidence of one or more of these conditions is present, thoroughly comment on the location and severity, of the problem. If possible, indicate location on sketch. Appraisal should be conditioned to require correction/repair of the indicated problem.*]
3. Exterior and interior description: Indicate the materials and condition for all components.

Also included in this section are features like air conditioning, fireplace, garage, patio/deck, etc. Make sure what is indicated in this section is consistent with what is indicated in the sales comparison approach on the 2nd page.

E. Additional Items

1. Additional features: energy efficient items (see note regarding insulation, above), as well as other features (vaulted ceilings, etc.)
2. Condition of improvements/depreciation:
 - a) required repairs must be
 - 1) limited to those needed to remedy VA MPR deficiencies as discussed later in this guide and fully described in Chapter 12 of the Lender’s Handbook.
 - 2) clearly described so they can be fully identified on the Notice of Value (NOV).
 - b) detail functional obsolescence in relation to current market demand, floor plan, effect of additions, auxiliary heat, etc., when applicable (discussion of effective age versus chronological age can go here).
 - c) detail external inadequacies/economic obsolescence commented on under Neighborhood Comments section or Site Comments section as to view/proximity to adversities.
3. Adverse environmental conditions (not all-inclusive)
 - a) hazardous waste
 - b) toxic substances
 - c) proximity to gas or petroleum pipelines
 - d) proximity to high voltage electric transmission lines
 - e) EPA Super Fund Sites

F. Sales Comparison Analysis Section

1. **Addresses:** provide the complete property addresses for the subject and comparables.
2. Proximity in relation to the subject:
 - a) if less than 1/2 mile from subject utilize “number of blocks” notation (e.g.: 5 blocks).
 - b) also indicate direction relative to subject (e.g., 5 blocks NW).
3. Sales price should reflect the actual contract sales price, not present market value.
4. Data source: MLS, County Records, etc. - include document # for verification.
5. **Sales or financing concessions** - address the effect, if any, on the comp’s sales price.
 - a) **the impact of these concessions must be addressed on the market grid and must be consistent with the concession statement on the front page. Each appraiser is to determine the impact of these concessions in the market area. Special or creative financing adjustments can be made to the comp by comparisons to financing terms offered by a third party institutional lender.**
 - b) **the appraiser is to determine if required adjustments are dollar for dollar or if adjustments should be made based on percent of concessions above what is typical for the market area.**
 - c) **provide comments as necessary to explain any adjustments based on appraiser's judgment.**

NOTE: it is important to note that VA follows whatever practice is accepted by industry appraisal standards and local requirements. Ultimately, it each appraisers responsibility to know the market and make any appropriate adjustments.
6. Date of sale
 - a) sales should be the most recent sales available and must be the best market sales available. Any sales outside normally accepted parameters must be fully explained in report.
 - b) if time adjustments are being made, they must be supported by comparable listings in grid format.
7. Location/site:
 - a) provide lot size of subject and all comparables.

***note:* when appraising acreage sites, your value will be based on the number of acres in the site being conveyed and no longer will be assessed against what is typical for the area. Lacking similar acreage sites, proper adjustments will then be made for the actual number of acres.**
8. View
 - a) note specific influences.
 - b) provide photo if a significant adjustment is warranted.
9. Design/appeal
 - a) for subject: indicate style (ranch, contemporary, manufactured) or provide other descriptive phrase (one-story or two story).
 - b) for comps: same as for subject and/or rank each comp relative to subject (equal, similar, inferior, superior).

- c) adjustments used here should not be subjective, but documented by paired sales/extracted data.
10. Quality of construction
 - a) rate quality - comment on any quality adjustment used.
 - b) trim, tile roof vs. comp roof, stucco vs. wood siding, etc. should be considered here
 11. Age - state **actual** age of subject and comparables (effective age, if different, should be considered in condition adjustment and explained under comments).
 12. Condition - rate as excellent/good/average/fair/poor--should be consistent with condition information shown on page 1.
 13. Room count:
 - a) comps should be similar to subject in bedroom (and if possible) in bath count (adjustment for differences in bedroom or bath count can be made here or under Functional Utility, as long as the report's methodology is clearly discernible to the reviewer - provide explanatory comments as necessary - do **not** make the same adjustment twice).
 - b) Note: adjustments for room count and gross living area should be shown as separate line items (again, be careful not to "double-adjust" for the same variation under two different line items).
 14. Gross living area:
 - a. should be as similar to subject as possible.
 - b. office space or areas designed or used for **nonresidential purposes may not exceed 25 percent of the total floor area**. Storage areas or similar areas that are integral parts of the nonresidential portion are included in calculating the total percentage of nonresidential area. When faced with a property that appears to exceed the 25% limitation, we suggest that you contact VA for guidance before proceeding with the appraisal.
 15. Basement & finished rooms below grade - specify percentage of basement finished and the number of baths (for split level residences, show lower level finished square feet and number of baths) Note: this is not to be included in the gross living area of the property.
 16. Functional utility:
 - a) any **adjustments should reflect market reaction** to any functional obsolescence of subject or comparables relative to each other
 - b) adjustments should be explained in the "Sales Comparison Comments" section and should be consistent with "Condition of Improvements" comments on page 1
 - c) see advisory note above regarding bedroom or bath adjustments
 17. Heating/cooling
 - identify type of furnace and fuel source(central, wall, gas, electric)
 - state whether A/C or none
 - a) newer furnace or A/C may justify adjustment, with explanation
 18. Energy efficient items - replacement windows, solar heat, insulation etc. can be indicated here and adjusted as applicable
 19. Garage/Carport
 - a) if none, indicate if there is off-street or street parking only
 - state garage features; siding, attached, detached, can be considered here
 - adjust for condition, age, or quality, as appropriate

- b) If converted, comment on the extent and quality of the improvement (heating, floor covering, insulation, *permits*, etc.) and whether or not it qualifies as living area or merely storage - note that any adjustments should
 - be based on market reaction.
 - balance any gain in living space against the loss of parking facilities.
20. Porch, patio, and deck, adjustments will depend on differences in size and quality of porches, patios, and decks.
- a) personal property such as satellite dishes or above-ground pools are **not** to be included in the estimate of reasonable value.
21. [Blank line] - may be used for:
- a) additional custom or amenity items, such as full remodel of kitchen or bath.
 - b) kitchen equipment (must be built-in to be included in value).
 - c) specific upgrades must be listed if adjustment is assigned.
 - d) fireplace
22. Net adjustment (total)
- a) when the ***net adjustment exceeds 15%*** of sale price, the appraiser must comment as to why a more similar comparable was not used.
 - b) when the ***gross adjustment exceeds 25%*** of sale price, the appraiser must comment as to why a more similar comparable was not used.
 - c) comment when the dollar difference between the highest and lowest comparables after all adjustments exceeds 10% of the appraised value of the subject property.
 - d) adjustments should be derived from the market via the extraction method and shall not be based solely on "appraiser judgment"
 - e) adjustments are not to be used to make a comparable fit to the sale price and/or asking price.
 - f) appraiser is to fully support and document estimate of value that considerably exceeds actual sale price amount which is provided by lender and/or purchase agreement.
23. Adjusted Sales Price of Comparable
24. Comments on Sales Comparison
- a) explain reasoning for adjustments (do not just repeat what sections were adjusted above).
 - b) explain why more weight was given to some comps as opposed to others (for example, the least adjusted comparable, the most current sale, two comps weighted toward one value indicator).
 - c) attach continuation addendum if needed.
 - d) for any adjustments due to location, site, design/appeal, quality of construction, or condition.
 - large adjustments must be well documented and supported.
25. Sales history of subject & comps:
- a) three year sales history of subject and one year for comparables is required.
 - b) county records and/or city data search is acceptable.
 - c) state the source researched.
 - d) **An analysis of the sales must also be provided.**

26. Indicated Value by Sales Comparison Approach.
 - a) must be consistent with reasoning expressed in comments. Use of averages, medians, and modes is not appropriate appraisal practice.
 - b) *must fall within the adjusted range of value of the comparables or be well documented and adequately explained.*

NOTE: It is imperative that information indicated on page 1 be consistent with information contained in the market grid on page 2 and throughout the entire report. This and all areas of your report must reflect consistency in information being provided.

G. Reconciliation

1. Appraisal should be made either:
 - *As is*, if there are no MPR repairs or other requirements. If so, a statement such as “No repairs or conditions” should be made on the “Conditions of Appraisal” line. (note: all liquidation appraisals must be appraised “as is”).
 - *Subject to repairs, alterations, inspections, or conditions*, if the final value is contingent upon completion of such requirements. If so, these must be listed on the “Conditions of Appraisal” line or on a referenced addendum. Any repairs should be limited to those necessary to remedy an MPR deficiency. Conditioning for installation of customer preference items that were missing as of the date of appraisal is acceptable on new construction appraisals. Be sure to provide a fully itemized list. Liquidation appraisals are to have both MPR and cosmetic repairs listed.
 - *Subject to completion per plans and specifications*, if the property was not complete (at least to the point of customer preference items) at the time of appraisal **and** the value was based upon a review of plans and specs furnished by the lender or builder.

Note: Remember that VA relies exclusively on the sales comparison approach to value (except in very unusual circumstances involving inadequate or no comparable sales available or an extremely unique property). On a VA appraisal, the value estimate should never exceed that indicated by the sales comparison approach. This approach recognizes that a well-informed purchaser will generally pay no more for a property than the cost of acquiring a similar property of equal desirability and utility without undue delay. If either of the other two approaches to value is given any weight, provide a full explanation.

3. Final Estimate of Market Value should generally be the same as the indicated value by sales comparison approach (as explained in the above “Note”). The effective date of the report should be the date the property was inspected.
4. Report must be signed and dated. Provide your VA Appraiser number next to your signature. Provide your State Certification or License number in the space indicated.

5. The Supervisory Appraiser section is not used for VA purposes.

H. Additional Comments

Provide any additional comments needed in order for the reader to fully understand your report. Can also be expanded into your addenda.

I. Cost Approach

The cost approach is not required by VA unless the appraiser makes a determination this approach is relevant to the assignment. We no longer require appraisers to complete the site value portion of this section. If the appraiser chooses to indicate a site value, the cost approach portion must then also be completed. Appraisers are to indicate the remaining economic life.

J. Income Approach

Generally not required by VA except for income producing properties (more than one living unit) for which the appraiser should use the Small Residential Income Property form. VA's main reliance is on the market approach. Reconciling to the income approach should only take place when market data is scarce and a reliable value cannot be derived from the market approach. You must fully explain your reasoning whenever you take this approach.

K. PUD Information

Complete this section if the property is located in a Planned Unit Development.

NOTE: The items covered under the Scope of Work, Statement of Assumptions and Limiting Conditions and Appraiser Certifications should not be restated in your addendum. You cannot add to the Limiting Conditions.

VALUATIONS BELOW THE CONTRACT SALES PRICE

The process involved when this scenario occurs is typically referred to as the Tidewater Initiative. (See VA Circular 26-03-11) If you determine your final market value will be less than the contract sales price you must:

- Contact the indicated Point of Contact (POC) shown on VA Form 26-1805 in block 30. If no POC is indicated contact the requestor shown at the bottom of the 26-1805.
- Ask the POC if they or any party of interest to the transaction have any additional data they would like you to consider. You are not to provide any other information or discuss the contents of your appraisal.
- Give the POC two workdays to provide information. If no information is forthcoming, complete your report and upload to e-Appraisals.

- Review information provided for consideration. This information must be submitted to you in a format similar to the comparable sales grid and must include sales verification data.
- Review and analyze this additional data and complete your report based upon your findings.
- Comment on the additional sales submitted, if they will not allow you to meet the contract sales price. Here you must state the reason(s) for either not using this additional information or show how this additional information did not support an increase.
- Make sure you document the date you contacted the POC, the date the information was provided, and then upload your report.

Minimum Property Requirements (MPR)

Basic MPRs for existing and new construction are that the property be safe, sanitary and structurally sound. For detailed information regarding VA MPRs please refer to Chapter 12 of the Lenders Handbook.

Areas to be considered under these requirements include but are not limited to:

- Nonresidential Use
 - Must not impair the residential character of the property and
 - Must not exceed 25% of the total living space of the property.
Example: property has a beauty shop in the house. This total area of the beauty shop cannot be greater than 25% of the total living area square footage of the property.
- Heating
 - Homes with a wood burning stove as the primary heating source must also have a permanently installed conventional heating system.
 - You must indicate on your report if the property has an un-vented space heater that uses liquid or gaseous fuel or any un-vented fireplace. You do not have to indicate if it meets local code. If you observe a problem, you must report this problem as an MPR.
- Roof Covering Must
 - Prevent entrance of moisture and
 - Provide reasonable future utility, durability, and economy of maintenance.
 - When a defective roof with three or more layers of shingles must be replaced all old shingles must first be removed.
- Crawl Space Must
 - Have adequate access.
 - Be clear of all debris.
 - Be property vented.
 - Have floor joists sufficiently above the highest level of ground to provide access for maintenance.
 - Have any excessive dampness or pooling water problems corrected.
- Ventilation
 - Natural ventilation of structural spaces such as attics and crawl spaces must be provided to reduce effect of excess heat and moisture.

- Hazards - The property must be free of hazards which may:
 - Adversely affect the health and safety of the occupants.
 - Adversely affect the structural soundness of the dwelling and other improvements to the property.
 - Impair the customary use and enjoyment of the property.
- Drainage
 - Positive drainage must be provided away from perimeter walls of property.
- Wood Destroying Insects
 - Report any observable problem as an MPR item that must be corrected.
- Lead Based Paint - This constitutes an immediate hazard that must be corrected. The appraiser must:
 - Assume that any defective paint condition on either the interior or exterior of a property built prior to 1978 involves lead based paint.
 - Clearly identify the location of such conditions, and
 - Require correction.

The correction includes properly scraping, priming, and repainting the defective areas to match the existing color of the property. All paint chips must be removed from the property.

- Defective Non-Lead Based Paint Condition (Homes Built After 1977)
 - Defective condition must appear sufficient enough to cause deterioration if left untreated. If not, the condition is considered cosmetic and not listed as an MPR but considered in overall condition. Any interior paint problem is to be considered cosmetic only.
- Gas/Petroleum Pipelines and High Voltage Electric Transmission Lines
 - No part of any residential structure may be located within the easement.
- Connection to Public Water
 - If a property being served by private well or septic and public facilities are readily available, connection to these public facilities should be required.

Note: You are not to require certifications from professionals regarding potential repair problems. Example: If you note damage to the roof, you are not to ask for a roofing certification. You need to specifically require the damage part or the entire roof be repaired or replaced, based on severity of the damage. For serious functional or structural problems, you may call for a structural engineer inspection report, which addresses specific problem(s).

MPR Repairs Identified Via “Third Party Sources”

Questions have arisen regarding when should an appraiser use “third-party sources” in calling for VA MPR repairs. In general we expect these would be limited to those cases that are safety related. For example, if an appraiser were provided a Home Inspection Report that cites a cracked furnace plenum, it would be acceptable for the appraiser to cite the report and list the repair as a “life-safety issue”. While we do not want appraisers referring to certifications to avoid making a call on repairs, we also want to recognize that, in many instances, they may not be technically qualified to make a call. In this cited

instance, they would not likely even see the cracked plenum, but it certainly needs to be recognized if available.

Items such as smoke detectors, CO2 monitors, radon or radiation detectors are not considered MPR items. We consider these to be code compliance issues and we are not a code enforcement agency. These then would not be listed as MPR items.

Cosmetic repairs are not to be considered when identifying MPRs. These cosmetic items would be considered in the overall condition rating of the property.

Items listed in the contract as going to be replaced will not be shown as MPR items unless appraiser notes deficiencies in these items. Appraiser would then show these item(s) as MPR item(s).

Appraisal Exhibits

- Improvement Sketch
 - Each level of the property must have a sketch indicating perimeter measurements for all side of the dwelling. You must show the location of each room on the sketch. You are not required to define the locations of the walls.
 - Indicate the Gross Living Area
- Pictures (Computer Generated Acceptable if of good quality)

In proposed construction cases, a front view photograph of each comparable is required but photographs of the subject property are not required if there are no improvements under construction.

- If the property is in a condominium more than three units high, no photographs of the comparables are required, provided they are located in the same project as the subject property and are substantially identical to the subject property.

In all other cases, each appraisal report requires:

- photographs of the subject property showing a front and back view (preferably including a different side view in each photograph) and the street scene, and
- photographs of each comparables front view.
- photo of any significant locality influence that affects subject property value (example: views, freeways, businesses, etc.)
- photo of any significant defect.
- Location Map
 - A legible location map is required showing the location of the subject property and all comparable sales/listing being used. Please provide adequate directions to subject and all comparables, if an adequate map is not available.
- Certifications
 - Include a signed FNMA form 1004B with your report.

- Additional certifications that are required by State law or by an appraisal organization to which you belong are also acceptable, provided:
 - They do not conflict with VA policy described earlier.

Submission of the Appraisal Report

- Must be uploaded to e-Appraisals in .pdf format.
- If e-Appraisals is not working, please e-mail a copy of the appraisal report to the lender and upload the report to e-Appraisals when it is available.

Preparing Repair Inspection Reports

- You must have a copy of the Notice of Value (NOV) to determine what items you will be inspecting to determine if repairs have been properly completed. If you have questions regarding the repairs, please contact either VA or the SAR.
- Your repair certification(s) must be on your letterhead and submitted via either e-mail or fax directly to the lender. You do not need to provide VA with a copy of this certification.

CHAPTER 8

LAPP APPRAISAL ISSUES

Special Requirements Specific to the Lender Appraisal Processing Program (LAPP)

The Role of the LAPP Staff Appraisal Reviewer (SAR)

Generally the LAPP SAR must ensure that:

- the URAR and all required attachments and addenda are complete and correct.
- the appraiser's methodology is appropriate and reasonable and that conclusions are consistent with data.
- the appraiser has complied with current VA instructions.
- the appraiser's market value is consistent with the current standard definition of market value and VA's regulatory definition of reasonable value.

Contact and Cooperation with the LAPP SAR

- LAPP SARs are expected to take reasonable steps to resolve problems detected during their appraisal reviews. While branch office staff and authorized agents may contact the fee appraiser about the timeliness or status of a particular appraisal, **only the SAR may contact the fee appraiser to discuss valuation matters.**
- LAPP SARs should contact VA fee appraisers directly when any information, or methodology, or conclusion contained in an appraisal report requires clarification, correction, or additional support in order for the SAR to make a prudent decision on the reasonableness of the fee appraiser's market value estimate.
- VA fee appraisers are expected to be cooperative with the SAR concerns regarding the content of appraisal reports.
- VA should not be considered a "referee" between the lender and fee appraiser in resolving routine issues.
- In any case where the SAR determines that substantive problems with the fee appraiser's report are not correctable through reasonable interaction with the appraiser, the lender will request the appraisal report be reviewed by VA. The lender's submission will include a written report clearly outlining the difficulties encountered, with the fee appraiser. This will assist VA in monitoring fee appraiser performance and determining what, if any, administrative action may be warranted.

Note: Any revisions, corrections, or clarifications made by a fee appraiser to the appraisal report must be uploaded into e-Appraisals. Appraiser must upload the entire report, to include any new information and not upload simply the new information, as this will delete the initial report.

CHAPTER 9

RECONSIDERATION OF VALUE

Although the Tidewater Initiative is intended to help reduce the number of reconsideration of value requests we receive, we still process these requests when received. Specific and detailed instructions for handling reconsiderations of value requests are provided in Chapter 13 of the revised *Lenders Handbook, Section 13.09*. This includes the roles and responsibilities of the LAPP lender, the Fee Appraiser, and VA. The following is offered to explain the appraiser's role in this process.

Fee Appraiser Role

When appraisers receive a request from either the lender or VA the fee appraiser will:

- Record on the request the date the request was received. We ask that all such requests be completed as quickly as possible and within 7 business days.
- Review the request and any supporting documentation.
- Prepare a written recommendation, with justification that would be considered adequate and reasonable by professional appraisal standards.
 - If the sales being considered are comparable sales, you must place these sales on a market grid and properly adjust for differences to the subject.
 - If the sales are not considered comparable, you may submit a narrative detailing why these sales were not used and why they are not comparable or better than the sales used in your original report.
- If the new data being considered results in a value change to your appraisal report, please re-upload your entire new appraisal to e-Appraisals and indicate in your narrative why the change was made.
- If analysis of additional data provided does not support an increase send your narrative detailing the reasons why the data could not be used to support an increase via e-mail to the Regional Loan Center and to the lender.
- The appraiser must prepare an updated report using one of the three reporting options in USPAP AO-3. This new report can be generally restricted to analysis of the new data and should reference the original URAR as noted in AO-3 under "Reporting Requirements" paragraph 3.
- Refer to **VA Circular 26-04-04** for further guidance.

Allowable Fees

- The fee appraiser may charge a reasonable, mutually negotiated fee for a value reconsideration based on information that was *not* available to the appraiser at the time of the original appraisal (newer closed sales, for example).
- A reconsideration of value based on market data that was available (but not used) at the time of the original appraisal is the responsibility of the appraiser (i.e., **no** additional fee may be charged).

CHAPTER 10

SPECIAL PROPERTY CONSIDERATIONS

Farm Residences and Outbuildings

VA does not make “farm loans.” However, veterans can purchase a farm property for residential use. For VA purposes, no value is to be given to the value of livestock or farm equipment.

When appraising acreage sites, your value will be based on the number of acres in the site being conveyed and no longer will be assessed against what is typical for the area. For example, if the subject property is 40 acres you would value the entire 40 acres. Ideally you should be using similar acreage comparable sales. Lacking these sales, you would make proper adjustments to all comparable sales for differences in the site size.

When appraising acreage sites with outbuildings, you are now to value these outbuildings based on their contribution to the property being appraised.

Extra Lots or Large Parcels

If a site has more than 1 parcel and these additional contiguous parcels are included under one ownership and will all be conveyed to the purchase as such, your appraisal is to include all conveyed parcels.

Personal Property Items

When determining whether to value items such as swimming pools and hot tubs, you need to make a determination if such items are typical and customary in the market area. If they are, you are to include such items in your appraised value. Items like built in and wired directly into the house can also be included in value.

Items such as drapes, non-attached rugs, furniture, etc. are considered personal property and cannot be included in your value.

Properties Near Airports

Appraisal report must indicate information relating to airport noise and safety zones issues.

<u>Noise Zone</u>	<u>Composite Noise</u>	<u>Noise Exposure</u>	<u>Day/Night Average</u>
	Rating (CNR)	Forecast (NEF)	Sound Level (DNL)
1	Under 100 db	Under 30 db	Under 65 db
2	100-115 db	30-40 db	65-75 db
3	Over 115 db	Over 40 db	Over 75 db

<u>Type</u>	<u>Zone 1</u>	<u>Zone 2</u>	<u>Zone 3</u>	<u>Clear</u>	<u>Accident</u>
Proposed	A	A, B, C, D	E	F	A, C, H, I
New/Existing	A	A, D	A, D	A, C, G	A, C, I

Requirements

- A.** The fee appraiser's market data analysis must include a consideration of the effect on value, if any, of the property being located near an airport.
- B.** Sound attenuation features must be built into the dwelling to bring the interior DNL of the living unit to 45 decibels or less.
- C.** Available comparable sales must indicate market acceptance of the subdivision in which the property is located.
- D.** The veteran must sign a statement which indicates his/her awareness that the property being purchased is located in an area near an airport and that aircraft noise may affect livability, value and marketability of the property. (Lender to obtain at closing)
- E.** Not acceptable as the security for a VA loan unless the project was accepted by VA before noise zone 3 contours were changed to include it. In that situation, the requirements for proposed construction in zone 2 must be met.
- F.** Not acceptable as the security for a VA loan
- G.** The veteran must sign a statement which indicates his/her awareness that the property being purchased is located near the end of an airport runway and that this may have an affect upon livability, safety, value and marketability of the property. (Lender will obtain at closing)
- H.** The project in which the properties are located must be consistent with the recommendations found in the airport's Air Installation Compatible Use Zone (AICUA) report.
- I.** The veteran must sign a statement which indicates his/her awareness that the property being purchased is located near the end of an airport runway and that this may have an affect upon livability, safety, value and marketability of the property. (Lender to obtain)

Clear zones are areas of highest accident risk located immediately beyond the ends of a runway.

Accident potential zones are beyond the clear zones but still have significant potential for accidents. Only military airports identify them.

No existing property will be rejected because of airport influences if that property is already the security for an outstanding loan.

Properties Subject to Flooding

Special Flood Hazard Areas (SFHAs) are those areas in 100-year floodplains delineated on Federal Emergency Management Agency (FEMA) flood maps. SFHAs are usually designated Zones A, AO, AH, AE, A99, VO, VE, or V.

Older maps use numbered A and V Zones (for example, A2, V30).

The appraiser must:

- Check FEMA flood map(s) for the area in which the property is located.
- Notify VA and the lender if it appears that the property may **not** be eligible for VA appraisal because it is:
 - proposed or new construction and there is an indication that the elevation of the lowest floor is below the base flood level (100 year flood level). See 24 CFR 200.926d(c)(4), or
 - there is an indication that it is subject to regular flooding, for whatever reason. Regular flooding would cause the property to not meet VA Minimum Property Requirements whether or not it is located in a SFHA.
- If the property is eligible for appraisal and located on a flood map
 - Identify the map number and flood zone on the appraisal report, whether or not the property is located in a SFHA.
 - If any part of the dwelling is in a SFHA, provide appropriate information in the “Site” section of the appraisal report.

Flood insurance is not required in Zones B, C, X, and D

VA Partial Release of Security

If you are asked to complete this type of assignment, your report must contain three values. The estimated reasonable value of:

- The entire property on an “as is” basis
- The described parcel to be released
- That portion of the property which will remain as security, after release of the parcel described.

CHAPTER 11

KEY POINTS OF A GOOD APPRAISAL REPORT

The following is not intended to indicate only these items must be addressed in a good appraisal report. All appraisal reports must be complete, correct, cogent, consistent, concise, and comply with USPAP, industry, and VA requirements.

Key Points

Has the appraiser:

- ✓ properly analyzed and reported prior sales history for both the subject and the comparable sales. This process is fundamental to the appraisal process?
- ✓ adequately discussed the prevalence of sales/financing concessions, made adjustments for these concessions in the market grid, if appropriate and explained why or why not adjustments were made?
- ✓ properly analyzed and reported neighborhood trends and made appropriate and supportable market value adjustments, when needed?
- ✓ made sure the information contained on pages 1 and 2 and throughout the report are consistent and not misleading?
- ✓ made sure all market grid adjustments are consistent?
- ✓ fully explained and supported all large adjustments in the market grid?
- ✓ used comparable sales data that complies with generally accepted industry standards relating to location, style, square footage, site, etc. or properly explained why deviations were necessary and provide support required adjustments?
- ✓ fully explained the logic and rationale used in reconciling the comparable sales data when arriving at the indicated value?
- ✓ properly verified and documented data sources?
- ✓ kept the focus of the appraisal on pertinent valuation issues and avoided excessive and unrelated “boilerplate” comments.

Some Common Deficiencies Noted During VA Quality Reviews

- Appraiser not providing a proper analysis of prior sale history for subject and comparable sales.
- Appraiser checking declining or increasing market and not making a time adjustment for date of sale or not providing logical explanation why adjustment was not required.
- Appraiser not properly addressing prevalence of sales/financing concessions and not explaining adjustments or lack of adjustment for any concessions relating to the comparable sales.

- Appraiser using all builder sales when appraising new and proposed construction. The use of all builder sales, without a very detailed explanation is simply not appropriate, as it is only reflecting this builder's sales.
- Appraisers using dated sales and providing no logical explanation.
- Appraiser using sales of different design and appeal without no logical explanation.
- Appraiser not following "Tidewater" Initiative instructions.
- Appraisers not providing comparable listings to support either "declining" or "increasing" market conditions. If your comparable sales are very recent and there is no support for making any time adjustment, please state this fact. We need to know what your rationale is when either making or not making an adjustment when you make either "declining" or "increasing".
- Appraiser making inconsistent adjustments on the market grid.
- Appraiser statements not consistent throughout the report.
- Appraiser not providing support when making large adjustments.
- Appraiser not indicating Department of Veterans Affairs as the Client and not stating "Intended User as (Any Approved VA Lender)".
- Appraiser not verifying information obtained from "data source".

ADDENDA

Addendum to Fee Appraiser's Report: Client Requirements

VA Case #:

Property Address:

Subject/Comps Listing History:

	<u>Subject</u>	<u>Comp #1</u>	<u>Comp #2</u>	<u>Comp #3</u>	<u>Comp #4</u>
<u>Comp #5</u>					
Listing					
Sales Price					
D.O.M.					

The current **sales price to listing price ratio** is _____%
_____ months ago sales price to listing price ratio was _____%

The current **Average Marketing Time**-for this market is _____ days.
_____ months ago the **Average Marketing Time** was _____ days.

VA Certification:

"I have considered relevant competitive listings and/or contract offerings in the performance of this appraisal and in the trending information reported in this section. *If a trend is indicated, I have attached an addendum providing relevant competitive listing/contract offering data.*"

Appraiser's Signature for VA Certification-_____

Date _____

Data Source(s) for Subject and Comps:

	<u>Subject</u>	<u>Comp#1</u>	<u>Comp#2</u>	<u>Comp#3</u>	<u>Comp#4</u>
Source#1					
Source#2					