

VA Lenders Handbook

Chapter 10

The Appraisal Process

Chapter 10 The Appraisal Process

Key changes:



- Emphasizes Customer Service
- Promotes Appraisal Timeliness
- Incorporates Outstanding Circulars

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Timesavers for requesting appraisals:

- Upload lengthy legal descriptions on a separate document
- If the appraisal is for a purchase, promptly upload the sales contract
- Provide contact information for the person who will provide access to the property without any additional calls

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Appraisal timeliness

- Monitored closely by VA
- VA timeliness standards available at http://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp
- Timeliness standards ensure that Veterans receive appraisals as fast or faster than conventional appraisals
- Appraisers should schedule appointment within two business days of receiving the assignment
- Appraiser must place notes in WebLGY to inform the lender of any delays beyond the appraiser's control in obtaining access to see the property

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Market data requested during appraisal process “Tidewater” procedure:

- If it appears that value will be below the sales price, appraiser will request market data from requester
- Appraiser will allow 2 days for information to be provided before completing the appraisal
- For each potential comparable sale submitted, the following information should be provided:
 - Street address
 - Sales price
 - Date of sale
 - Gross living area
 - Copy of listing before property sold, if available
- Appraiser will note in the appraisal that this procedure was followed
- This procedure is NOT an instruction to appraisers to meet sales prices
- Refinance transactions are not covered under this procedure

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Reconsiderations of Value

- After the Notice of Value has been issued, any interested party may request reconsideration of value in writing by contacting the RLC
- Requester should provide market data
- VA staff will review the appraisal report, additional data submitted, as well as the market data available through VA's Appraisal Management System (AMS).
- In some cases, VA staff may conduct a field review
- If VA staff determines that an increase in value is appropriate, VA will issue an amended NOV

Property Eligibility:

- Lender is responsible for determining property eligibility
- Extremely small number of properties are “Not Eligible”

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Properties Not Eligible for Appraisal:

- Lenders must make determination at earliest possible opportunity
- Appraisers have been instructed to stop work on an appraisal if the property is found to be ineligible
 - Proposed construction in Airport Clear Zone
 - Lava Flow Zones 1 and 2
 - Coastal Barrier Resources System (CBRS) area
 - Special Flood Hazard Area if flood insurance is not available
 - Areas subject to regular flooding
 - Residential structure inside transmission line easement involving high-pressure gas or liquid petroleum



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Properties Not Eligible for Appraisal (continued):

- New or proposed construction in an area susceptible to geological or soil instability unless the builder provides evidence that the site is not affected or the instability has been addressed in the design
- Property does not comply with zoning (legal non-conforming use is acceptable)
- Property is primarily non-residential
- New or proposed property where local authority routinely performs construction inspections but none were performed
- Condo-hotels and “air condominiums”
- Party to the transaction (other than purchaser) prohibited from participating in Loan Guaranty program due to a VA-imposed sanction

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Builder Identification Numbers:

- On new and proposed construction cases, the builder must have a valid VA builder ID number before the Notice of Value is issued
- Builders need an ID number for each state where they are building homes for Veterans
- Builder must meet any state or local licensing requirements
- A list of registered VA builders with ID numbers is available at <https://vip.vba.va.gov/portal/VBAH/Home>



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Proposed construction appraisals may be completed from:

- Plans and specifications, or
- Model home (fully completed, same plan type, same area, easily accessible)



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Construction Inspections:

- Many local building authorities have adopted comprehensive residential building codes and perform mandatory inspections at the foundation, framing, and final stages of construction
- On new or proposed construction cases, lenders must confirm whether or not local inspections are performed
- The purpose of the inspections is to ensure that the property:
 1. is built according to the building codes adopted by the local authority, and
 2. has been satisfactorily completed as evidenced by a final construction inspection or certificate of occupancy.
- If the local authority performs inspections, but none were obtained, the property is ineligible to be the security for a VA guaranteed loan

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Warranty Requirements for New and Proposed Construction:

- If the local authority performs inspections, for **new construction**, either
 - 1-year warranty on VA Form 26-1859, Warranty of Completion of Construction, **or**
 - 10-year, insurance backed warranty
- for **proposed construction**, 1-year warranty on VA Form 26-1859.

- If the local authority **does not** perform inspections, **both**
 - 1-year warranty on VA Form 26-1859, Warranty of Completion of Construction, **and**
 - 10-year, insurance backed warranty

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Post Construction Inspection by Appraiser on Proposed Construction cases:

- In addition to any local building authority inspections, the lender must have the VA-assigned fee appraiser visit the property and certify that construction substantially complies with the certified construction exhibits upon which the appraisal was based and that the improvements comply with any conditions of the sales contract (for example, landscaping, decking, or fencing).
- The report may be prepared on:
 - Fannie Mae Form 1004D – Freddie Mac Form 442, Part B (Part A is not acceptable), or
 - the appraiser's letterhead.
- The report must be uploaded into WebLGY and contain:
 - appraiser's certification that construction substantially complies with the construction exhibits used in the appraisal,
 - front and rear exterior photos, and
 - an invoice for the inspection report.
- If the appraiser finds that construction is not complete or discovers deviations from the plans, the appraiser should provide details

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Infrequent situations:

- Veteran building his/her own home
- Special Exception: New construction without a warranty (Builder ID number still required)
- Lender selling a newly constructed home



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Repair Inspections

- When required on the NOV, repair inspections are completed by appraisers assigned by VA for:
 - repairs on existing properties,
 - customer preference items on new construction properties, and
 - post-construction inspections on proposed construction
- Lenders are encouraged to condition the NOV for a lender certification of repairs, especially repairs performed by licensed personnel, instead of an appraiser certification.
- Repairs involving lead-based paint must be completed by the fee appraiser.
- When repairs are ready for inspection, lenders must notify the appraiser and provide a copy of the NOV as the requirements on the NOV may differ from the recommendations listed on the appraisal
- If the VA-assigned appraiser is not available, the lender should notify the RLC to have another appraiser assigned
- Appraisers may place the repair inspection report on:
 - Fannie Mae Form 1004D – Freddie Mac Form 442, Part B (Part A is not acceptable for VA use), or
 - the appraiser's letterhead.
- The repair inspection report must:
 1. list the items on the NOV,
 2. certify that quality materials were used,
 3. certify that the items were completed in a competent manner,
 4. identify any non-compliant items,
 5. include photos of all items,
 6. be signed by the appraiser, and
 7. uploaded into WebLGY.

Questions?

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