VA REGIONAL LOAN CENTER

ST. PETERSBURG, FLORIDA

CONSTRUCTION & VALUATION TRAINING GUIDE

INFORMATION FOR FEE APPRAISERS AND LENDERS' STAFF APPRAISAL REVIEWERS

Serving Alabama, Florida, Mississippi, Puerto Rico and the U. S. Virgin Islands

Updated September 2011

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Veteran's Information Portal
Passwords and Technical Assistance with Portal Applications
Please e-mail: VIP@vba.va.gov
The Regional Loan Centers no longer have the ability to assist with passwords.

Overnight delivery: 9500 Bay Pines Blvd., St. Petersburg, FL 33708

Regional Loan Center: http://www.vba.va.gov/ro/south/spete/rlc/

VA Lender's Handbook: http://www.warms.vba.va.gov/pam26_7.html
Chapters 10-13 are of interest to appraisers

UPDATES

Contact information on page 1 has been updated. All appraisal questions should be directed to 1-888-611-5916 or by e-mail to VAStaffAppraisers@va.gov. Please do not hesitate to contact us for assistance with any questions or to discuss complex or unique situations.

Requests for assistance with passwords for the Veterans Information Portal must be e-mailed to VIP@vba.va.gov.

When e-mailing our office with appraisal questions, **please do not include the Veteran's name in the e-mail**. Please use the VA case number and property address to identify the property.

Market Conditions Addendum to VA Appraisal**,** page 10
Agreement of Sale to be provided to the fee appraiser, page 10
Appraisal of proposed or under construction properties from model homes**,** page 44
Exterior-only inspection residential appraisal report form usage, page 37
Personal property that is "usual and customary" in the market may now be included in value, page 35.

A copy of our Information Bulletin on **processing loans after a disaster** is reprinted on page 75.

REMINDERS

If the Veterans Information Portal is not operating, **it is acceptable to e-mail an appraisal to a lender** to prevent a delay for a Veteran. Please upload the appraisal when the Portal is back in operation. Appraisals should not be e-mailed to VA unless specifically requested by VA staff.

Please be sure that the **four market analysis requirements** are included on every appraisal as described on **page 34**.

When it appears that the **appraised value will be below the sales price** the appraiser is required to notify the lender or their POC and **document the URAR** as described in detail on page 11.

The **client on the URAR** must read "Department of Veterans Affairs". The client's address field should read "Intended User – Any Approved VA Lender".
Please **contact VA (not the requester) when an appraisal request needs to be reassigned for any reason**.

VA APPRAISER PANEL

The **VA Lender's Handbook** is available online at
http://www.warms.vba.va.gov/pam26_7.html
Appraisers should be familiar with **Chapters 10-13** of this handbook.

Appraisers are **required to have an e-mail address** for communicating with VA staff and lenders. Please send an e-mail to VAStaffAppraisers@va.gov with any changes in your e-mail address so we can update our distribution list. Since our e-mail distribution list is not in WebLGY our e-mail list is not updated automatically when appraisers change their own information in WebLGY.

Appraisers must respond to **messages left by VA staff or lender's Staff Appraisal Reviewers (SARs)** by the next business day at the latest. VA may stop assignments to appraisers when this policy is not followed. Please accommodate any requests for clarifications about the appraisal report when requested. VA fee appraisers are expected to represent the Department of Veterans Affairs in a manner that reflects **professionalism** and **customer service**. All requests for clarifications deserve a prompt, courteous reply.

Fee appraisers must respond to all inquiries about when the appraisal will be completed from any parties involved with the transaction (Veteran, lender, real estate broker, or builder).

Requests to have **appraisal assignments reassigned**, requests to have **assignments stopped for vacation**, **appraisal questions** and other matters requiring the attention of a VA Review Appraiser should be e-mailed to VAStaffAppraisers@va.gov Using this general address instead of the e-mail addresses for specific Review Appraisers will ensure that all e-mails are answered promptly by a Review Appraiser since all of our Review Appraisers have access to e-mails at this address. Please do not "cc" or send duplicate messages to specific employees at VA since this results in duplicate efforts to respond to the request.

Vacations: The appraiser must request assignments stop at least one week prior to the start of the vacation.

Notifying VA to request a reassignment is the **responsibility of the appraiser, not the lender**. VA staff will reassign the case to another appraiser and give the original appraiser the new appraiser's name so the assignment can be forwarded immediately.

When an appraisal assignment is canceled by the requester, the appraiser should notify VA by e-mail.

Appraisers are required to have voice mail or someone answering the phone during normal working hours (9:00am to 4:30pm) and to inform the industry when the appraiser is not available for assignments.

If the Veteran's Information Portal is not operating, it is acceptable to e-mail an appraisal to a lender. The appraisal should be uploaded into WebLGY when the Portal is back in operation. **Appraisals should not be e-mailed to VA unless specifically requested by VA staff.**

Appraisers are **no longer required to provide VA a copy of their license.** Our staff obtains this information from the websites of state regulatory agencies.

The appraiser must personally

-view the **interior** and exterior of the subject (except on liquidation cases in which entry is not possible), and the exterior of each comparable
-select and analyze the comparables
-make the final value estimate, and
-sign the appraisal report as the appraiser.

Appraisers who are found in violation of these requirements will be **removed** from the fee panel.

Any appraisal which is not based on recognized appraisal practices in order to **"accommodate"** the sale price is unacceptable and will result in VA disciplinary action.

All **actions removing appraisers from our fee panel for cause are reported** to the state agency regulating appraisers and professional organizations.

If an appraiser receives **significant professional assistance**, the name of the assistant and the specific tasks performed must be stated in the comments section on page 3 of the URAR. The assistant may sign the report (as an assistant) to document qualifying experience for licensing/certification purposes.

Appraisers must be prepared to show a photo ID at each site visit. Appraisers should comply with **a request from the Veteran purchaser to be present at the site visit.**

Appraisers are **not** authorized to **speak to any groups** or give **interviews for publication** in an official capacity for VA (for example, lenders', builders' and Realtors' organizations, newspapers or magazines).

Appraisers are encouraged to become a member of the **FHA Roster of Appraisers**. For a VA appraisal to be used for FHA purposes, the appraiser must be on the FHA Roster of Appraisers.

TIMELINESS

Timely service to Veterans is a high priority of this office.

VA appraisal assignments must be completed just as quickly as appraisals for conventional loans are completed. This should not exceed **ten business days** for origination appraisals and five business days for liquidation appraisals, unless there are extenuating circumstances. Weekends and federal holidays are not business days.

> Example: An origination appraisal ordered on the first Monday of the month. The appraisal should be completed and uploaded no later than the third Monday of the month (assuming no Federal Holidays fall in between).

Appraisers must **document the URAR in the "Comments on Cost Approach" area** on page 3 for conventional appraisals and the **"Summary of Sales Comparison Approach" area** on page 3 for condos as follows:

R (received) = 01/3/11
A (appraised) = 01/7/11
M (mailed/uploaded) = 01/10/11

If the dates indicate more than 10 business days, an explanation for the delay must be included.

We recommend that appraisers check TAS for new assignments on a daily basis.

When a **LAPP case will be late** (seller on vacation, delay getting access from tenant, etc.) the appraiser **must** notify the lender by e-mail, fax or telephone.

The VA Lender's Handbook requires that lenders' Staff Appraisal Reviewers (SARs) notify VA when fee appraiser timeliness expectations are not being met.

Please send an e-mail to VAStaffAppraisers@va.gov whenever a **liquidation assignment** will not be completed within 5 business days.

WebLGY

WebLGY is located on the Veterans Information Portal.

The **Internet address** is: www.vip.vba.va.gov

For help with **user IDs or passwords**, please e-mail: VIP@vba.va.gov
The Regional Loan Centers no longer have the ability to assist with passwords.

When an appraisal is requested online in WebLGY, the appraisal request will be **e-mailed to the assigned appraiser**. We recommend that appraisers check WebLGY for new assignments on a daily basis.

Appraisers should e-mail VAStaffAppraisers@va.gov with any **changes in their e-mail address**. This is very important since our office maintains an e-mail distribution list of our fee appraiser panel outside of WebLGY. Our office contacts everyone on our fee appraiser panel with announcements and program changes by e-mail.

PAYMENT POLICY

When a Notice of Value (NOV) is issued or when the requester receives notification from VA that a NOV will not be issued, **the requester must send the appraiser his/her fee.**

An appraiser **may not** collect fees in advance from a requester **unless** the appraiser has a letter from VA authorizing advance payment from that requester. VA makes the determination whether the requester will be required to pay the fee appraiser in advance.

Appraisers are **not authorized to collect the fee from the Veteran, seller or anyone other than the requester**. In rare cases where the requester is an individual, appraisers can request payment in advance without first contacting the VA.

When an invoice has been outstanding for **90 days or more**, appraisers may request assistance from our office in writing. Our office will intercede on the appraiser's behalf. The appraiser **must provide** the following information:

- VA Form 26-1805
- Invoice sent to the requester

Please e-mail these items to: **AppraisalFees.vbaspt@va.gov**

Please do not let invoices go **over 180 days** since the requester will no longer have their records readily available.

Appraisers must make the **invoice the first page of the appraisal report** package when uploading it into WebLGY.

Appraisers must include their **federal tax identification number** on invoices.

In accordance with the VA Lender's Handbook, Chapter 10.12, VA offices **may** allow fee panel members to require payment in advance from a particular requester if both:

- A regular, ongoing payment problem that is well outside of normal business practices is documented by the fee person, and
- The party responsible for payment fails to respond to the fee person's written notice about the problem and its possible consequences.

Fee appraisers should always send a copy of the invoice to the broker and lender.

After our office has been asked to assist in collecting an unpaid fee, the appraiser must notify our office when the fee is collected.

E-Appraisal is now WebLGY

The **St. Petersburg VA Regional Loan Center** was the first VA office to process appraisal reports electronically.

The e-appraisal functions have now been consolidated into WebLGY. E-appraisal is no longer in use. All VA appraisals should be uploaded in WebLGY**,** which is located on the Veteran's Information Portal at www.vip.vba.va.gov.

If the Veteran's Information Portal is not operating, it is acceptable to e-mail an appraisal to a lender to avoid a delay for a Veteran. The appraisal should be uploaded into WebLGY when the Portal is back in operation. **The appraisal should not be e-mailed to VA unless specifically requested by VA staff.**

Before uploading an appraisal, appraisers should be sure the pdf file is named with the VA case number "17-17-6-1234567.pdf", not just "1234567.pdf" or a name assigned by appraisal report software.

When an appraisal is uploaded, the status will change from "out for appraisal" to "pending" in WebLGY. The appraisal assignment will come off the appraiser's list of pending assignments. On LAPP cases, the lender will receive a system-generated e-mail that the appraisal report is ready for review.

After an appraisal has been uploaded into WebLGY, any future uploads under the same case number will "write over" the appraisal that was already uploaded. In order to add pages to an appraisal in WebLGY, the entire report must be uploaded again with the additional pages.

Appraisers must make their invoice the first page of the appraisal report when uploading it into WebLGY.

Technical questions concerning WebLGY should be e-mailed to VIP@vba.va.gov

APPRAISERS NOT PARTICIPATING IN E-COMMERCE

A small number of appraisers who do only a minimal number of assignments for VA are not required to participate in e-commerce. Most appraisers who are exempt from participating in e-commerce still do so due to the cost savings.

These appraisers must send **all appraisals** to VA and the requester by **overnight delivery service at the appraiser's expense.** The top page of the appraisal package should be a cover page which reads "**Appraisal to be uploaded into WebLGY**".

PROPERTIES NOT ELIGIBLE FOR APPRAISAL

Properties in the following situations **should not be appraised**:

- in **badly deteriorated condition** unless VA agrees that there is reasonable likelihood that it can be repaired to meet VA MPRs.

-proposed construction or new construction in a flood zone with elevation of the lowest floor **below the 100 year flood level.**

-in a flood zone where **flood insurance is not available.**

-in an area subject to **regular flooding** (whether or not it's in a flood zone).

-in a **Coastal Barrier Resources System (CBRS) area** (Appraisers are responsible for obtaining maps from the U. S. Geological Survey and checking the location of properties).

-proposed/under construction in a **Clear Zone** or in **Airport Noise Zone 3** (unless VA accepted the project before the Noise Zone 3 contour was changed to include it). Airport Noise Zones are discussed on pages 29-30.

-any part of the residential structure is or is to be located within a **transmission line easement for high-pressure gas, liquid petroleum, or high-voltage electricity** (transmission line easements are discussed on page 26).

-proposed/under/new construction in an area susceptible to **geological or soil instability** unless the builder has provided evidence that the site is not affected or the problem has been adequately addressed in the engineering design.

-**less than fee simple ownership** (for example: leasehold, cooperative, ground rental arrangement) without prior approval of VA Central Office (contact our office for more information).

-**condominium unless there is a reasonable likelihood that VA or HUD will accept the project prior to loan closing.**

-**nonresidential use exceeding 25% of total floor area** or impairing the residential character of the property. If the appraiser determines that the area exceeds 25%, the appraiser must submit a dimensioned sketch of the subject property showing the nonresidential area and may charge a fee proportional to the amount of work completed. Please call our office for guidance on appraisals of properties with commercial zoning.

APPRAISAL REPORT CONTENTS

Every VA appraisal report must include:

Appraisal report form on either:
-Uniform Residential Appraisal Report (URAR) (FNMA 1004)
-Appraisal Report - Individual Condominium or PUD unit (FHLMC 465/FNMA 1073) if the subject is a condominium
-Small Residential Income Property Appraisal Report (FNMA 1025) if the subject has 2-4 living units
-Manufactured Home Appraisal Form (FNMA 1004c) if the subject is a manufactured home
Location map (to allow VA staff to locate subject and all comparables)
Floor plan sketch showing room layout, exterior dimensions, and square footage calculations (s/f calculations must be on the floor plan or on page 3 of the URAR in cost approach comments)
Photographs - see requirements below
Invoice - should be first page when uploading into WebLGY
Any **additional appraisal or repair-related information**
Fannie Mae Market Conditions Addendum, Form 1004MC
A copy of the **appraisal invoice** should be included preceding the report.

The appraisal request form (VA Form 26-1805), flood maps, plat maps, cover pages and resumes are **not required by VA**.

Sales Contract – The requester of a VA appraisal must provide a copy of the agreement of sale and all addenda to the appraiser immediately upon assignment, but not later than 1 business day after the date of assignment. The assigned VA appraiser must analyze the agreement of sale and consider that analysis in establishing the fair market value of the property and any affect on VA minimum property requirement repairs. **Should the requester fail to provide the agreement of sale to the appraiser, the appraiser will, upon notice to the requester, hold the assignment and notify VA of the delay.**

Photograph requirements

Existing cases & Liquidation cases - Front, back and street scene for subject and front view of each comparable. Please provide photographs of pools, detached buildings, and views other than typical residential views.

Proposed cases - Same as existing, unless no improvements are under construction. If no improvements are under construction yet, just provide photos of the comparable sales.

Condos over 3 units high - if the subject and comparables are in the same project and are substantially identical, no photos of the comparables are required.

For the **comparable sales**, copies of listing service or advertising pictures are acceptable if they clearly depict the property. A common deficiency that we find while doing field reviews is that photographs of comparable sales are mislabeled (i.e.: the photograph of sale #1 labeled as “sale #2”).

MARKET DATA FROM PROGRAM PARTICIPANTS

Program participants are encouraged to provide relevant market data to VA fee appraisers during the appraisal process. This procedure should help limit the number of cases that reach the reconsideration of value phase. This should in no way suggest that appraisers are being pressured to make appraised values meet or exceed sale prices.

When ordering appraisals in The Appraisal System (TAS), the lender should enter the name of a Point of Contact (POC) in field #30, Comments on Special Assessments or Homeowner's Association Charges. The information should read: "POC for Appraisal Issues is: (ex. John Doe, (800) 123-4567**,** JDOE@XYZ.COM)." If the lender does not designate a POC, the lender should be considered the POC.

When it appears that the appraised value will come in **below the sales price**, the **appraiser is required to notify the POC**. The appraiser should not discuss the contents of the appraisal with the POC at this point beyond explaining that he/she is calling for whatever additional information the POC may be able to provide. The POC will have two business days to provide additional information. We expect full cooperation between the fee appraiser and the specified POC or lender.

The data provided should be in a format similar to the comparable sales grid on the URAR. Verification that the sale has actually closed is also required. If pending sales contracts are submitted to support a time adjustment, they must be complete with all contract addendums attached. In addition, there should be a brief narrative attached that describes the similarities/differences between the pending sales and the subject property.

The **appraiser must comment in the appraisal report** (preferably in the large comments section on page 3) in all cases where this procedure was used. The comment should address the following items:

1) the time this added to the completion of the appraisal
2) whether or not any data was submitted
3) if data was submitted, please state who provided the data
4) if data was submitted, briefly describe what was submitted
5) if the value is still below the sales price, please state why the data submitted did not change the opinion of value

RECONSIDERATION OF VALUE

After a Notice of Value has been issued to the Veteran, a request for a reconsideration of value may come from **any party of interest** (Veteran, builder, seller, real estate agent, etc.). The Veteran does not have to join in the request. The request must be **in writing** and should first be **submitted to the lender**.

Appraisers should upload their recommendations on value appeals into WebLGY. When a pdf file is uploaded into WebLGY, it will "write over" the pdf file that is already stored under that case number so it is important that appraisers include the original appraisal report with any additional pages.

A new VA appraisal must not be requested for any property, which already has a valid NOV. However, an **additional appraisal not assigned by VA** can be used to support a request for an increase in value, provided the Veteran purchaser was not required to pay any portion of the cost of that additional appraisal.

For LAPP appraisals, if the amount of the requested increase is:

5% or less- The SAR may increase the value if the increase is clearly warranted and fully supported by market data.*

More than 5%, but less than 10% - The SAR should forward the request to the fee appraiser for review. The appraiser should record the date the request was received, review the request and upload his/her recommendation into WebLGY within 5 business days.

10% or more - The SAR should forward the request directly to VA.

*SARs may not wish to exercise their authority to change values up to 5% where it is considered to be in **conflict with state requirements** (i.e.: the agency which regulates appraisers in some states—including Florida—may take the position that any change in value by an appraisal reviewer subjects that individual to the state's requirements for appraisers).

SARs must **document all increases** in "SAR Comments" in TAS.

Sales data that is older than the data in the appraisal, sales outside of the subject neighborhood, sales unlike the subject in size, age or condition and property tax assessments are not generally considered in evaluating an increase.

The appraiser may charge a reasonable fee if information submitted in an ROV request requires the fee appraiser to review data that was **not available** at the time of the fee appraiser's report.

VALUING PROPERTIES DURING PERIODS OF DECLINING MARKET

The appraised value, for a property that will become the security for a VA guaranteed loan, must reflect the current fair market value. VA has historically required VA fee appraisers to provide a value estimate in accordance with VA's regulatory definition of reasonable value (38 CFR 36.4301), "that value which represents the amount a reputable and qualified appraiser, unaffected by personal interest, bias, or prejudice, would recommend to a prospective purchaser as a proper price or cost in light of prevailing conditions." During periods of rapidly increasing or declining real estate values, it may become more difficult to establish an estimate of the current fair market value.

Analysis of real estate market conditions, using market trend indicators, lends support to an appraiser's estimate of fair market value, particularly during periods of rapidly increasing or decreasing market values.
A summary of market trend indicators to consider when performing an appraisal is provided below.

(1) Determine whether sales or financing concessions are being offered in the subject property's market area. If so, determine the effect on the sales price of comparable properties.

(2) Consider the supply and demand for available housing in the subject market and compare the average listing price to the sales price ratio in the subject market area.

(3) Consider the marketing time trend (increasing or decreasing) in the subject marketing area.

(4) Analyze sales listings, contract offers, and unsettled sales to determine if market conditions changed between the date each comparable sold and the date of the subject property appraisal. Provide an addendum if a significant market transition is indicated due to changes in employment opportunity, housing supply/demand, average marketing time, seller concessions, etc. However, appraisers should certify in the appraisal report, "I have considered relevant competitive listings/contract offerings in performing this appraisal, and any trend indicated by that data is supported by the listings/offering information included in this report."

VA expects appraisal reports to contain negative comments when they accurately reflect market conditions. Be assured that VA has no objection to guaranteeing a VA loan in a declining market area as long as
the appraiser has properly documented the facts of the case. Furthermore, secondary market sources have indicated that they will purchase VA loans in declining markets as long as the appraisal analysis is proper and complete.

MINIMUM PROPERTY REQUIREMENTS

What is expected of the Fee Appraiser:
The fee appraiser is expected to take sufficient time to observe all aspects of the property. The fee appraiser must view every room in the interior and all easily accessible spaces such as the attic, crawl space, basement, garage and storage spaces.

The fee appraiser must provide a specific list of repairs needed for the subject to meet VA's minimum property requirements in the improvements section on page 1 of the URAR or on an addendum that is referenced in the improvements section on page 1. For example, the appraiser should list "replace broken window in kitchen" instead of saying "kitchen window is broken."

What is not expected of the Fee Appraiser:
The fee appraiser is **not expected to climb onto the roof.**
The fee appraiser is **not expected to perform operational checks** of **mechanical** equipment. However, if the appraiser notices that any equipment is broken, he/she should require that the item be repaired.
The appraiser should not recommend repairs, which are **cosmetic** in nature, nice to have, or reflect personal tastes.
The appraiser **should not require certifications or inspections** for roofing, plumbing, heating or air conditioning. Appraisers should not require inspections for liability protection. The appraiser should require corrective action by licensed personnel if the condition does not appear to be safe, sound or sanitary; or require nothing if the condition appears satisfactory.

When to recommend rejection of a property:

In most instances, appraisals should be completed with all required repairs listed instead of rejecting properties that do not meet VA MPRs. Appraisers may decide to recommend rejection if there is a structural failure which is determined not to be economically feasible to correct.

The following repair items require special attention:

The **roof** must provide reasonable future utility, durability and economy of maintenance. The appraiser should make this determination from his/her professional experience. Appraisers should **not require a roof inspection**. If the roof does not appear to have an adequate remaining life, the appraiser should complete the appraisal subject to installation of a new roof by a licensed roofer.

If a small area of the roof is damaged and the appraiser believes it could be repaired without replacing the entire roof, the appraiser may require that the roof be repaired by a licensed roofer instead of replaced.

VA will accept any type of roofing material as long as it is accepted by the local authorities. Any effect on market value (for example, replacing a tile roof with a shingle roof) should be considered. VA will accept up to 3 layers of shingles. If a defective roof already has three layers of shingles, all old shingles must be removed.

Fee appraisers and SARs don't have the authority to approve waiver requests on repairs. The procedure for all repair waivers is on page 18.

When there is an indication of a **potential environment problem** (i.e.: an **abandoned underground fuel storage tank**), the appraisal report must be conditioned for correction of the problem according to any local, state or federal requirements.

Any chipping, cracking, scaling, peeling or loose **paint** is considered to be a defective paint condition. This is an MPR (not cosmetic) repair. All defective paint must be corrected no matter how old the house is. If the house was built prior to 1978, assume the paint is lead-based and require corrective action to include thoroughly cleaning the surface before applying two coats of paint or completely removing the paint or covering the surface with a suitable material before painting. All repairs involving defective paint must be **certified by the fee appraiser, not the lender.**

If the subject has a well or septic system, and **public water or sewer is available** on the same side of the street in front of the house, the appraisal must be made subject to connection to the public water or sewer.

Due to the mild climate, **heat is not required** in Puerto Rico, the U. S. Virgin Islands and the following counties in Florida: Broward, Charlotte, Collier, Dade, Glades, Hendry, Lee, Martin, Monroe and Palm Beach.

Any permanently installed (or to be installed) **unvented fireplace** or **unvented space heater** using liquid or gaseous fuel must be reported in the appraisal. The SAR will condition the Notice of Value as follows:

- the Veteran purchaser's written acknowledgement that the dwelling contains an unvented fireplace or space heater which has not been inspected by VA, and
- a written statement from a heating/air conditioning contractor that identifies the property and states that the unvented appliance
  - is equipped with an approved Oxygen Depletion Sensor, and
  - meets local building authority requirements, or is installed according to the

manufacturer's recommendations if there are no local requirements.

The cleaning of the **pool** is considered cosmetic if the water in the pool is green but light enough that the bottom of the pool can be seen. If the pool water is dark and thick with considerable algae growth, it is unsanitary and unsafe and must be cleaned.

Wood that has been pressure treated or is redwood, cedar or cypress does not have to be painted.

Dirty **carpet** is a cosmetic item and does not require cleaning unless it's unsanitary.

The appraiser should not require repairs just because a property does not meet local code unless it is in a **"Code Enforcement Area"** where the local authorities require compliance with code when properties are sold (i.e.: 200 amp electrical service should not be required simply to meet local code). If the electrical service is not adequate to handle the load, the appraiser should require repair by a licensed electrician as needed for adequate and safe operation.

Any local building authority requirements due to **building code enforcement or urban renewal** should be addressed on the appraisal.

All rotted wood, whether interior or exterior, must be replaced.

Excessive mildew must be alleviated.

Broken or cracked window panes must be replaced.

Fogged windows do not have to be repaired, however the appraiser should consider them in the overall condition rating of the property.

Chipped fixtures (sinks, etc.) must be resurfaced or replaced if the chip causes a safety hazard (sharp edge) or causes the fixture to leak.

Painted concrete is an acceptable floor covering.

Burglar bars are acceptable on existing and proposed cases if there is a **quick-release on at least one window per bedroom or another means of rapid egress** (exterior door) from each bedroom. When an appraiser has any concerns about burglar bars on a property, he/she should require the removal of the burglar bars.

Washing machines and laundry tubs must have proper plumbing. It is not acceptable for laundry detergent to be drained into the yard.

Trichloroethene and other compounds have been detected in the groundwater at varying levels in the area of the **Vista View, Eastern Meadows and Chisholm subdivisions in Montgomery, AL. Appraisers who receive an assignment in this vicinity should contact our office BEFORE proceeding with the appraisal. Our office will inform the Veteran and then advise the appraiser whether or not to complete the appraisal.** Details on this situation including a map are available on the Alabama Department of Transportation's website, www.dot.state.al.us. Please click on "quick links" and then please click on "Coliseum Plume".

VA does not have a specific written policy on:

- radon
- mold
- sinkholes
- asbestos
- UREA formaldehyde
- toxic waste sites
- radio/communication towers
- billboards
- earthquakes
- methane gas
- paint containing mercury

VA has no legislation that prohibits guaranteeing loans on properties affected by these items. **There may be cases which should be rejected because of hazardous conditions.** For example, a property may be included in an area which has been declared unsafe for human habitation by the EPA.

On a case by case basis, the appraiser should consider whether or not the condition presents a hazard or a defective condition as described on page 24.

If the condition does not present a hazard, the appraiser should report that the property is affected by any of these items and consider the affect the above items may have on the market value. Any adjustments for these items should be market derived.

Waivers on MPR Repair Items

All repair waivers must be **approved by VA**.

Requests for repair waivers should be **e-mailed or faxed** to our office for expeditious processing.

A required repair may be waived **by VA** if **all** of the following conditions are met:

-a Veteran is under contract to purchase the property, and
-the **Veteran** and **lender** request the waiver in writing, and
-the property is habitable from the standpoint of safety, structural soundness and sanitation, and
-VA is satisfied that the nonconformity has been fully taken into account by lowering the value determination (since the appraised value was originally estimated "as repaired").

Certification of Completion of Repairs

The completion of all repairs involving **defective paint** must be **certified by the fee appraiser**. Most other certifications may be done by the lender. The individual issuing the Notice of Value (lender's Staff Appraisal Reviewer or VA Staff) determines if a lender certification or fee appraiser certification is required.

The appraiser should **obtain a copy of the NOV** from the lender before doing a repair certification.

The appraiser must certify the repairs as **stated on the NOV** (not as stated on the appraisal).

All MPR repair waivers **must be approved by VA** as described above.

The appraiser should complete the repair certification within **48 hours.**

Repair certifications should be done on the appraiser's letterhead. There is **no official VA form to be used for repair certifications**.

There is **no need to send copies of repair certifications to VA**. The lender will place a copy in their file.

The following information on VA Minimum Property Requirements is reprinted from Chapter 12 of the VA Lender's Handbook.

12.03 Basic MPRs

Entity

The property must be a single, readily marketable real estate entity.

Nonresidential Use

Any nonresidential use of the property must be subordinate to its residential use and character.

If any portion of a property is designed or used for nonresidential purposes, that property is eligible only if the nonresidential use does not

- impair the residential character of the property, or
- exceed 25 percent of the total floor area.
-
- ***Note***: In making this calculation, the total nonresidential area must include storage areas or similar spaces that are integral parts of the nonresidential portion.

Space Requirements

Each living unit must have the space necessary to assure suitable

- living
- sleeping
- cooking and dining accommodations, and
- sanitary facilities.

Mechanical Systems

Mechanical systems must

- be safe to operate
- be protected from destructive elements
- have reasonable future utility, durability and economy, and
- have adequate capacity and quality.

Continued on next page

12.03 Basic MPRs, Continued

Heating

Heating must be adequate for healthful and comfortable living conditions.

If the property has an **unvented space heater**, see the requirements in Section 11.12.

Homes with a **wood burning stove** as a primary heating source must also have a permanently installed conventional heating system that maintains a temperature of at least 50 degrees Fahrenheit in areas with plumbing.

Solar systems for domestic water heating and/or space heating must:

- meet standards in HUD Handbook 4930.2, Solar Heating and Domestic Hot Water Heating Systems, and
- be backed-up 100 percent with a conventional thermal energy subsystem or other backup system which will provide the same degree of reliability and performance as a conventional system.

Note: VA field stations may determine that climatic conditions are such that mechanical heating is not required.

Water Supply and Sanitary Facilities

Each unit must have the following:

- domestic hot water
- a continuing supply of safe and potable water for drinking and other household uses, and
- sanitary facilities and a safe method of sewage disposal.

Reference: For requirements regarding **individual** water supplies and individual sewage disposal systems, see Section 12.08.

Continued on next page

12.03 Basic MPRs, Continued

Roof Covering

The 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

The crawl space must

- have adequate access
- be clear of all debris, and
- be properly vented.

The floor joists must be sufficiently above the highest level of the ground to provide access for maintenance and repair of ductwork and plumbing.

Any **excessive dampness or ponding of water** in the crawl space must be corrected.

Ventilation

Natural ventilation of structural spaces such as attics and crawl spaces must be provided to reduce the effect of excess heat and moisture which could cause decay and deterioration of the structure.

Electricity

Each unit must have electricity for lighting and for necessary equipment.

12.04 Shared Facilities and Utilities

Facilities

Facilities such as laundry and storage space or heating may be shared in two-to-four living unit buildings under a single mortgage.

Utilities

Utility services must be independent for each living unit, except

- living units under a single mortgage or ownership may share water, sewer, gas, or electricity as long as there are separate service shut-offs for each unit, and
- living units under separate ownership may share connections from the main to the building line when those connections are protected by
  - easement or covenant, and
  - a maintenance agreement acceptable to VA.

Individual utilities serving one living unit shall not pass over, under, or through another living unit unless there is a legal provision for permanent right of access for maintenance and repair of the utilities without trespass on adjoining properties.

12.05 Access-Related Issues

Access to Property

Each property must be provided with a safe and adequate pedestrian or vehicular access from a public or private street.

Private streets must be

- protected by a permanent easement, and
- maintained by a homeowners association or joint maintenance agreement.

All streets must have an all-weather surface.

Access to Living Unit

Access to the living unit must be provided without passing through any other living unit.

Each living unit must be able to be used and maintained individually without trespass upon adjoining properties. Any easements required must run with the land.

Access to Rear Yard

Access to the rear yard must be provided without passing through any other living unit.

For a row-type dwelling, the access may be by means of

- alley
- easement
- passage through the subject dwelling, or
- other acceptable means.

Access for Exterior Wall Maintenance

There must be adequate space between buildings to permit maintenance of the exterior walls.

12.06 Hazards and Defective Conditions

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, or
- impair the customary use and enjoyment of the property by the occupants.

Defective Conditions

Conditions which impair the safety, sanitation, or structural soundness of the dwelling will cause the property to be **unacceptable** until the defects or conditions have been remedied and the probability of further damage eliminated. Such conditions include but are not limited to

- defective construction
- poor workmanship
- evidence of continuing settlement
- excessive dampness
- leakage
- decay, and
- termites.

Drainage

The site must be graded so that it

- provides positive, rapid drainage away from the perimeter walls of the dwelling, and
- prevents ponding of water on the site.

Wood Destroying Insects/Fungus/ Dry Rot

Appraisers must look for and report evidence of wood destroying insect infestation, fungus growth, and dry rot in addition to any VA requirement for an inspection of the property by a wood destroying insect inspector.

Continued on next page

12.06 Hazards and Defective Conditions, Continued

Lead-Based Paint

Lead-based paint constitutes an immediate hazard that must be corrected, unless testing shows that lead is not present in the paint at a level above that permitted by law.

Appraisers must

- assume that a defective paint condition (involving cracking, scaling, chipping, peeling, or loose paint) on any interior or exterior surface of properties built prior to 1978 involves lead-based paint
- clearly identify the location of such conditions, and
- recommend correction.

Any defective paint condition identified must receive adequate treatment to prevent the ingestion of contaminated paint. Either

- the surface requiring treatment must be thoroughly washed, scraped, wirebrushed or otherwise cleaned to remove all cracking, scaling, peeling, chipping and loose paint and then repainted with two coats of a suitable nonleaded paint, or
- the paint shall be completely removed or the surface covered with a suitable material such as gypsum wallboard, plywood or plaster before any painting is undertaken if the paint film integrity of the surface needing treatment cannot be maintained.

Party Walls

A building constructed to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the roof ridge. The wall may separate row type townhouses or semi-detached units.

12.07 Fuel Pipelines and High Voltage Electric Lines

Gas and Petroleum Pipelines

No part of any residential structure may be located within a high pressure gas or liquid petroleum pipeline easement.

Any detached improvements even partially in the pipeline easement will not receive value for VA purposes.

If a proposed residential structure will be located outside the pipeline easement, but within an area that extends 220 yards on either side of the centerline of the pipeline itself, the VA notice of value will be conditioned for the following, as applicable:

- High Pressure Gas Pipelines – A statement from an authorized official of the pipeline company certifying compliance with 49 CFR 192.607, 192.609, 192.611 and 192.613.
- Liquid Petroleum Pipelines – A statement from an authorized official of the pipeline company certifying compliance with 49 CFR 195 and amendments thereto.

[49 CFR 192.607, 192.609, 192.611 and 192.613]
[49 CFR 195]

High Voltage Electric Transmission Lines

No part of any residential structure may be located within a high voltage electric transmission line easement.

Any detached improvements even partially in a transmission line easement will not receive value for VA purposes.

12.08 Individual Water Supply/Sewage Disposal Requirements

Connection to Public System

Connection to a public or community water/sewage disposal system is required whenever feasible.

Water Quality

Water quality for an individual water supply must meet the requirements of the health authority having jurisdiction. If the local authority does not have specific requirements, the maximum contaminant levels established by the Environmental Protection Agency (EPA) will apply.

If the health authority is unable to perform the water quality analysis in a timely manner, a commercial testing laboratory or a licensed sanitary engineer acceptable to the health authority may take and test the water sample.

Water Treatment Systems

Water treatment systems are not acceptable for wells which do not meet VA quality standards due to insufficient depth or a contamination source near the supply.

However, if public water is not available and individual water supplies in the area are served by an aquifer confirmed by the health department to be contaminated, the property is eligible for a VA loan if the lender provides

- a copy of the health department letter confirming the aquifer contamination
- evidence that all of the requirements in HUD Mortgagee Letters 92-18 and 95-34, concerning individual water purification systems, have been met for the property, and
- the veteran purchaser's written acknowledgment that he/she understands that the well water serving the property must be continuously treated by the homeowner, as required by the local health department, to be considered safe for human consumption.

Continued on next page

12.08 Individual Water Supply/Sewage Disposal Requirements12.08 Individual Water Supply/Sewage Disposal Requirements, Continued

Shared Wells

The following requirements must be met for a shared well:

- The well must be capable of providing a continuing supply of safe and potable water to each property simultaneously, so that each dwelling will be assured a sufficient quantity for all domestic purposes.
- There must be a permanent easement which allows access for maintenance and repair.
- There must be a well-sharing agreement which
  - makes reasonable and fair provisions for maintenance and repair of the system and the sharing of those costs
  - is binding on the signatory parties and their successors in title, and
  - is recorded in local deed records.

Springs or Cisterns

Springs or cisterns are permitted where such facilities are customary and the only feasible means of water supply, provided they are installed in accordance with the recommendations of the local health authority, and the veteran purchaser acknowledges in writing his/her awareness of the situation.

If the local health authority has no requirements, U.S. Public Health Service requirements apply.

Sewage Disposal System

An individual sewage disposal system must adequately dispose of all domestic wastes in a manner which will not create a nuisance, or in any way endanger the public health.

Pit Privies

Individual pit privies are permitted where such facilities are customary and are the only feasible means of waste disposal, provided they are installed in accordance with the recommendations of the local health authority.

If the local health authority has no requirements, U.S. Public Health Service requirements apply.

PROPERTIES NEAR AIRPORTS

The following information was taken from Chapter 11 of the VA Lender's Handbook. This information is provided here to assist appraisers and Staff Appraisal Reviewers in determining VA requirements for properties near airports.

Appraisers are responsible for **maintaining noise zone maps for airports in their assigned area.**

Properties Near Airports

The appraisal report must identify any airport noise zone or safety-related zone in which the property is located.

Noise Zones are defined in decibels (db) in the table below.

Noise Zone	CNR (Composite Noise Rating)	NEF (Noise Exposure Forecast)	DNL (Day/Night Average Sound Level)
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

- 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 influence if that property is already the security for an outstanding VA loan.

Continued on next page

Properties Near Airports (continued)

Depending on the type of construction and the airport noise or safety-related zone involved, the following requirements also apply with regard to the appraisal and/or VA value notice:

Type Construction	Noise Zone One	Noise Zone Two	Noise Zone Three	Clear Zone	Accident Potential Zone
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

	Requirement
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.
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 noise 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.
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 (AICUZ) report.
	The veteran must sign a statement which indicates his/her awareness that the property being purchased is located in an accident potential zone and that this may have an affect upon livability, safety, value and marketability of the property.

MANUFACTURED HOMES

Appraisals of manufactured homes that include land should be prepared on the **Manufactured Home Appraisal Report, FNMA Form 1004c**. Appraisers must accept assignments for manufactured home appraisals that include land.

Appraisals of **modular homes** should be prepared on the URAR.

Manufactured homes in **Puerto Rico and the U. S. Virgin Islands** should be processed in accordance with Section 10.05 of the VA Lender's Handbook.

The States of **Alabama, Florida and Mississippi** each have a Manufactured Home Commission regulating the installation of manufactured homes. According to **state law in each of these states**, all manufactured home installations must be done by a properly licensed individual. The following guidelines apply in **Alabama, Florida and Mississippi** to all manufactured homes regardless of the age of the manufactured home:

The licensed installer must **affix a decal issued by the state** to the manufactured home. Typically, the decal will be affixed near the HUD label. Otherwise, the decal should be affixed to the lower left corner at the tail light end of the home.

The appraiser must either:

-state on the appraisal that the **licensed installer's decal was affixed to the manufactured home**

OR

-mark page 3 of the appraisal "subject to " the following condition **"Provide evidence from a licensed installer that the manufactured home is installed in accordance with current state requirements or retrofitted as closely as possible".** The SAR or VA staff will then place this requirement in Item #20 of the Notice of Value (NOV).

VA no longer requires installation of a **perimeter wall**.

All manufactured home installations must be completed by state-licensed installers. The work of **professional engineers, general contractors** or others in the construction field is **not acceptable** unless they also hold a manufactured home installer's license from the state.

Manufactured homes must be **classified and taxed as real property**.

If the appraiser states on the appraisal that **no other manufactured home sales are available for use as comparables**, the appraiser may use the best

available comparable sales that are not manufactured homes.

If the manufactured home is proposed construction, the following **construction exhibits** are needed:

- Description of Materials (VA Form 26-1852) for the foundation
- Plot Plan
- Foundation Plan (showing piers/anchorage details)
- Floor Plan*
- Exterior Elevations*
- Details of mating line piers if property is a double-wide
- Appropriate construction exhibits for any on-site improvements (i.e.: garage, deck, porches, patios)

*Floor plan and elevations may be from manufacturer's advertising or technical installation manual.

Our office receives a very limited number of appraisal requests for appraisals of manufactured homes **without land**. The appraiser is asked to please include copies of the pages of the Manufactured Housing Guide of the National Automobile Dealers Association (NADA) book used to complete the appraisal in the appraisal report.

The Uniform Residential Appraisal Report (URAR)

This section highlights areas of concern the appraiser should address when completing the URAR. This section is organized with items in the **same order as they appear on the URAR.**

Every VA appraisal must meet the **Uniform Standards of Professional Appraisal Practice (USPAP)** and may be issued as either a Self-Contained Appraisal Report or a Summary Appraisal Report. VA reserves the right to establish the assignment conditions under which the appraisal is to be performed. These might include required turnaround time, degree of inspection and approaches to be developed.

VA considers **Reasonable Value** and **Market Value** to be synonymous. VA's definition of Market Value is consistent with that used by Fannie Mae, Freddie Mac and major appraisal organizations. The Reasonable Value of a property is that figure which represents the amount a reputable and qualified appraiser, unaffected by personal interest, bias or prejudice, would recommend to a prospective purchaser as a proper price or cost in the light of prevailing conditions.

Any appraisal which is not based on recognized appraisal practices in order to **"accommodate"** the sale price is unacceptable and will result in VA disciplinary action.

The **VA Case Number** must be in the upper right corner of each page of the URAR.

If the subject **address** is a rural route and box number, the appraiser should provide the street name and "pencil in" any needed streets on the location map.

The appraiser must include the **complete legal description** on the URAR or on an addendum. The requester must provide a complete legal description with the appraisal order. The appraiser is responsible for verifying the legal description. The appraiser should document any delays in obtaining a legal description in accordance with the timeliness instructions on page 5 of this training guide.

The borrower should read: **"Any Qualified Veteran".** See VA Circular 26-07-1
The client should read: **"Department of Veterans Affairs"**.
The client's address should read: **"Intended User – Any VA approved lender."**

The following 4 items should be in the **Neighborhood Section** of the URAR, preferably on page 1 or at the top of the large comments section on page 3:

1. The following certification: **"I have considered relevant competitive listings/contract offerings in performing this appraisal, and any trend indicated by that data is supported by the listing/offering information included in this report."**
2. The extent of **increase or decrease in average marketing time** (for example: "in the last 3 months, the listing period in this market area decreased from 180 to 90 days").
3. Typical **sales price to listing price ratio.**
4. A statement on the prevalence of **sales/financing concessions**.

If the appraiser provides an addendum with listing information to support a trend as described in item #1 immediately above, the addendum must include three listings or contract offerings. Each listing/contract offering must show: the Multiple Listing Service listing or the typical information included in an MLS listing, how long the property was on the market, any changes in listing price and a short statement comparing the property to the subject.

Report any **Airport Noise Zone, Clear Zone or Accident Potential Zone** information in the site section. It is the appraiser's responsibility to obtain the appropriate maps from major airports in the area. Information from the VA Lender's Handbook on these zones is reprinted on pages 29-30.

The appraisal of **properties with acreage** should not present difficulties if a sufficient number of similar properties in the area were recently sold primarily for residential use. For VA purposes, the valuation must not include livestock, crops, or farm equipment. Improvements not typically considered residential (i.e. barns, sheds, corrals, stables, pastures) will be valued at their fair market value on the basis of the use of the property for residential purposes only.

Please see the square footage restriction concerning **commercial properties** on page 9. Please call our office for guidance on a case-by-case basis on properties with commercial zoning.

The appraiser must provide up to date **flood zone information** including the map panel number and zone. Flood insurance is not required in zones B, C, X & D.

The appraiser should be sure to accurately complete the room count line on page one of the URAR which should be consistent with the market data grid on page two.

Any **unvented fireplace** or **unvented space heater** using liquid or gaseous fuel must be reported in the Improvements Section on page one. The appraiser

should include a notation if the subject has a ventless fireplace or a fireplace that is vented through the wall so that a staff appraiser doing a field review will be aware of this. Fireplaces must be included on the URAR market data grid.

On origination appraisals, **MPR repairs** should be shown at the bottom of page one in the **Improvements Section** where there is room for comments describing the condition of the property or on an addendum if the repair list is lengthy.

The appraiser must select the **three best comparable sales available**.

Be sure to **verify items from MLS listings** that are visible from the street. This is a common deficiency we find on field reviews.

The appraiser must include an explanation for items on the market data grid that a reviewer would reasonably question. The following is not meant to be an all inclusive list:

- a **wide range in comparable sales prices**
- any reliance on sales that are **not truly comparable**
- **large adjustments**
- use of **comparable sales over 1 year old**
- any reliance on sales **outside the market area**
- subjective adjustments (for example, ratings like “inferior” or “superior” for condition or quality of construction) if the reason for the adjustment might not be clear to the reader

A single data source is adequate for **sales verification** if it provides quality sales data verified by closed transactions. Sales data provided by a party to the transaction (for example, the seller or builder) must be verified by an independent data source.

Good comparables require minimal adjustments. Adjustments based on anything **other than market reaction** (i.e.: builder costs) are not acceptable.

Time adjustments are acceptable. The appraiser should keep supporting market data in his/her appraisal file.

Listings, pending contracts and unsettled sales may not be used as comparable sales.

Satellite dishes, above-ground pools and items of personal property that are “usual and customary” in the market area should be included in value. Please be sure to state that the item is “usual and customary in the market” if it is given value.

Any **additions to the comparables after the sale date** should be noted in the

comments (such as new pools, porches or car storage enclosures).

The appraiser should mark the box for **"as-is" if the subject meets VA MPRs**. **If repairs are required**, the appraiser should mark the box for **"subject to repairs"** and include the following statement in the Reconciliation Section on page 2: **"Subject to the MPR repairs noted on page 1".** "Subject to required inspection" should **not** be marked on VA appraisals.

If the **purpose of the VA guaranteed loan is to make alterations, improvements or repairs costing in excess of $3500**, the appraiser must provide an "as-is" value in addition to the "subject to repairs" value (i.e.: a Veteran may be refinancing to add a swimming pool).

Please use the comment section on page three for any comments that will not fit into the appropriate field. Please do not use software features that reduce the type size in individual fields.

Site values should not be provided unless the cost approach is completed. The **cost approach is not required** unless it is needed for support on an unusual case. If the cost approach is provided the appraiser should have vacant land sales on file to support the estimated site value.

The **dates the appraisal assignment was received, appraised and e-mailed** should be shown in the cost approach comments area on page 3 of the URAR.

If the lender was contacted to provide additional market data **(if the value was below sales price)** the required comment as described on page 11 must be provided, preferably in the large comments section on page 3.

The estimated **remaining economic life** should be provided in the space provided on page 3 of the URAR. If the estimate is less than 30 years, an explanation should be provided. For **condominiums,** the estimated remaining economic life should be provided in the **comments section**. On the Manufactured Home Appraisal Form, the estimated remaining economic life is reported on page 2. On the Small Residential Income Property Form, the estimated remaining economic life is reported on page 4.

The VA fee panel appraiser must sign on the left side of page 6 of the URAR. If an appraiser receives **significant professional assistance** in completing the appraisal, the name of the assistant and the specific tasks performed must be stated in the additional comments section on page 3 of the URAR. The assistant may sign the report (as an assistant) to document qualifying experience for licensing/certification purposes.

LIQUIDATION APPRAISALS

Please send an e-mail to VAStaffAppraisers@va.gov whenever a liquidation assignment will not be completed within **5 business days**.

All liquidation appraisals must be for **highest and best use** and the property must be valued **"as-is".** A liquidation appraisal is **not an appraisal of value under forced sale or foreclosure conditions.**

All liquidation appraisals must be completed within **5 business days except for vacant properties in Alabama, Mississippi, and the Virgin Islands** where appraisers may have to hold assignments until the requester can arrange for access to the interior.

The appraiser must make at least three attempts to gain access to a property. If access can't be gained and the property is **occupied**, an appraisal may be completed from the street (**Exterior-Only Form must be used**). One visit to the property is sufficient. The other attempts may be telephone calls.

If the property is **VACANT and LOCATED IN ALABAMA, MISSISSIPPI OR THE VIRGIN ISLANDS** the appraiser should immediately notify the requester about any problems gaining access and place the assignment on hold until access can be gained. The 5 day time frame starts when access becomes available. Holding these cases will not affect the number of assignments fee appraisers receive from VA.

For **vacant properties in Florida and Puerto Rico**, if the appraiser is unable to obtain access from the owner or the requester, the appraiser should complete an exterior only appraisal and observe the 5 day time frame from the date the assignment was received. In these cases, the appraiser must use **Exterior-Only** Inspection Residential Appraisal Report, Freddie Mac Form 2055 **or** Exterior-Only inspection Individual Condominium Unit Appraisal Report
Freddie Mac Form 466

If the subject is in a **gated community** and the appraiser is unable to get through the gate to see the exterior of the home, or if the subject is **out of view from the public road**, the assignment should be placed on hold until access to view the exterior can be arranged through the requester. This office will not accept appraisals performed "sight unseen."

The appraiser must state whether the subject is **occupied or vacant**. If the subject is vacant, specify whether it is **secure or unsecured**.

The appraiser must provide a **repair list** with the cost and contributory value of

each repair item needed to make the property meet VA's Minimum Property Requirements and each cosmetic repair item that affects the marketability of the property. This must include any repairs needed to secure the property. If access is not available, a list of all repairs visible from the street should be provided.

The appraiser must provide three **competitive listings.**

If the structure has been **extensively damaged by fire or flooding** so that it has no contributory market value, the appraiser should appraise the land (using land sales) and any unaffected improvements, adjusting if necessary for the cost of demolishing the structure. No "as repaired" value is required in this situation. The Land Appraisal Report form may be used.

All liquidation appraisals should be uploaded into WebLGY.

The following addendum is from Chapter 11 of the VA Lender's Handbook. Fee appraisers may copy this addendum form or provide the information in a similar format. We strongly recommend you simply make a copy of this addendum and use it for every VA Liquidation Appraisal.

A Pamphlet 26-7, Revised Chapter 11: Appraisal Requirements

Figure 1: Liquidation Appraisal Addendum Example

LIQUIDATION APPRAISAL ADDENDUM FOR CASE NO. _____

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

	Date	Time	Phone	Contact	Comments
1.					
2.					
3.					

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

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

	Description	VA MPR Violation?	Est. Cost	Est. Contributory Value
1.				
2.				
3.				
4.				
5.				
		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: _____

_____

_____

APPRAISING INCOME PROPERTIES WITH 2-4 LIVING UNITS

The appraisal should be prepared on the **Small Residential Income Property Appraisal Report** (FNMA 1025).

Income property appraisals are **eligible for processing under LAPP**.

Do not include **illegal units** in value. **Grandfathered units** may be valued; however, the fact that a unit is grandfathered must be reported.

If a property has a **guest house** which cannot be legally rented, the appraisal should be done on the URAR with no value given to any rental income. The guest house should be valued as it contributes to the residential nature of the property.

Property owners will sometimes add living units without obtaining approval from the local authorities. Local regulations vary greatly. In some areas, **city code enforcement departments** are quite vigilant in requiring the removal of illegal units.

Living units in a 2-4 unit property may **share water, sewer, gas and electricity** as long as there are separate service shut-offs for each living unit. Laundry, storage and heating may also be shared.

The appraiser will use value estimates developed through **both the income approach and the sales comparison approach** in the final reconciliation.

APPRAISING CONDOMINIUMS & PUDs

Appraisals of condominiums must be prepared on the **Appraisal Report - Individual Condominium or PUD Unit** (FNMA 1073/FHLMC 465).

The **HOA fee**, a **list of the common elements** and any **utilities included in the HOA fee** should be provided in the appraisal.

The appraiser must comment on the **adequacy of the monthly assessment** based on the adequacy of the project's budget and a comparison to competitive properties. If the monthly assessment is believed to be inadequate, the appraiser should recommend a fair assessment.

The appraiser's estimate of the **remaining economic life** should be included in the "Summary of Sales Comparison Approach" area on page 3 of the report.

If there are any **commercial or other non-residential ownership interests** in the condominium, the appraisal report must include them and their impact on the value of the residential units.

The appraiser does not need to check on VA condo approval. The SAR or VA Staff will do that when issuing an NOV.

Instructions for SARs concerning condos are on page 52.

PUDs

Appraisals of properties in PUDs should be done on the **URAR.**

In all cases where there is a mandatory HOA fee, the appraiser should mark the **PUD block,** and report the **HOA fee**.

If the HOA fee is **voluntary**, the PUD block should not be marked.

VA is **no longer maintaining a list of approved PUDs.**

Instructions for SARs concerning PUDs are on page 50.

APPRAISING PROPOSED AND NEW CONSTRUCTION

A property is classified as **"New Construction"** when it is **less than one year old** and has **not been previously occupied**. New Construction properties may still technically be under construction but **only Customer Preference items remain to be completed.** New Construction appraisals should be marked **"as-is"** if the property is 100% complete **or "subject to repairs"** with a detailed list of the items to be completed.

A property is classified as **"Proposed Construction"** when the improvements are proposed to be built or are under construction with **more than Customer Preference items remaining** to be completed. Proposed Construction appraisals should always be marked ***"subject to completion per plans/specifications". **See Page 44 for exception.**

Examples:

Customer Preference Items	**Not Customer Preference Items**
Wall finishes	Electrical Wiring
Floor covering	Plumbing Fixtures
Appliances	Drywall
Interior painting	Rough Grading
Minor trim work	Roof shingles
Sodding/seeding	Exterior doors
A/C Equipment	Windows

If a set of plans/specs is included with an appraisal order, yet the property is found to be complete or only needing customer preference items, the appraiser should complete the appraisal as "new construction".

The following **certification** should be included on the appraiser's **floor plan** or on the **floor plan page of the building plans** on all **proposed** cases:

"I hereby certify that the information contained in _____(specific identification of all construction exhibits (i.e.: 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.
_____(Appraiser's Signature)"

The appraiser should include no more than the following **construction exhibits:**

Description of Materials (VA Form 26-1852)
Plot Plan
Foundation Plan
Floor Plan
Exterior Elevations
Wall Section

If the appraiser has **enough construction exhibits to perform the appraisal**, the appraisal should be completed. The SAR or VA staff will condition item #20 of the Notice of Value (NOV) for any missing exhibits.

Plans/specs must be **no larger than legal size paper**.

Plans/specs must be **legible** (IF YOU CAN'T READ IT - WE DON'T WANT IT).

Specification formats which substantially conform to VA Form 26-1852, Description of Materials, are acceptable.

The appraiser must **calculate the square footage** of living area. The appraiser must not rely on the builder's square footage figure. Square footage calculations and exterior dimensions must be shown on the sketch. Appraisers may copy the builder's floor plan drawing and use it as a sketch.

On proposed construction assignments, the appraiser should not value anything that isn't incorporated into the plans/specs. Do not consider

- verbal input from builders, lenders or anyone else
- items labeled **"optional" or "opt**" in the plans/specs
- items in a sales brochure
- items in a model home
- items in the sales contract

Don't value items that have been constructed if they are not in the plans/specs (please note any discrepancies in your report). **If the plans/specs differ, rely on the specs** and note the discrepancy in the appraisal report.

Select comparable sales that have recently sold as new homes if available. Using sales of older, existing, previously-occupied properties is not acceptable when sales of new homes are available in the market area.

Building plans **no longer need to be certified before an NOV** is issued, so the appraiser doesn't need to look for any certifications on the plans. The SAR or VA staff will place a condition on the NOV if the plans are not certified.

APPRAISAL OF PROPOSED OR UNDER CONSTRUCTION PROPERTIES FROM MODEL HOMES

Appraisers are now authorized to use model homes, in lieu of construction exhibits (plans and specifications), to appraise "Proposed or Under Construction" properties, as defined in Chapter 10 of the VA Lender's Handbook if the model home is:

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

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

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

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

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

VA BUILDER IDENTIFICATION NUMBERS

VA does not approve or recommend builders. Builders need only register with VA to obtain a VA Builder ID number. The VA builder ID number is **not to be interpreted as VA approval of the builder**. The VA builder ID number is used to track builder compliance with VA requirements, as authorized by Title 38, U.S.C. 3704. There is no VA Approved Builders List, only a VA Registered Builders List. The licensing of builders is regulated by the state or municipality of jurisdiction.

On all proposed and new construction cases, the **builder must have a valid VA identification number,** unless the Veteran is building his/her own home.

The VA Lender's Handbook, in Chapter 10, Section 8, allows an **exception to construction warranty requirements**. This is an exception to providing a warranty, not an exception for having a valid builder identification number.

A **Veteran may act as a general contractor** in building a home **for his/her own occupancy**. The Veteran must agree to pay for any special inspections necessary to ensure that the work meets VA Minimum Property Requirements for existing (not proposed) construction. A VA builder identification number is not required for a Veteran building his/her own home.

The builder must meet any State and/or local licensing requirements. Licenses within the jurisdiction of this RLC may be found at:
Alabama – www.hblb.state.al.us
Florida – www.myfloridalicense.com
Mississippi - www.msboc.state.ms.us/Index.cfm
Puerto Rico – not available online – telephone (787) 722-2122
U. S. Virgin Islands – not available online - telephone (340) 774-3130

MASTER CERTIFICATE OF REASONABLE VALUE (MCRV)

MCRV Program Suspended

Effective May 22, 2009, requests for master appraisal reports and issuance of MCRVs will not be accepted. Unfortunately, in a rapidly declining market, the use of MCRVs can be detrimental to the interests of the Veteran, as it may contribute to the Veteran paying to high a price for the property. Therefore, due to current declining market conditions, issuance of MCRVs shall be suspended.

The following procedures are provided to you should the current suspension be lifted:

Appraisers are **encouraged to call or e-mail our office with any questions** on preparing MCRV appraisals when receiving an MCRV assignment. The number of MCRV assignments our office has processed over the last several years has been very limited so it is understandable that appraisers may have questions about how to proceed.

The request must include the construction exhibits needed in a proposed construction case for each model in addition to these items:

- **Plat** showing locations of all lots
- completed **MCRV Worksheet** (VA Form 26-1843b)
- **Building Program Statement** which includes:
  - total number of dwellings to be built in project
  - number of dwellings anticipated, starting and completion dates for primary phase
  - details on construction, dedication and maintenance of streets and utilities
  - details of any special assessments to be assumed by purchaser

A URAR should be prepared for each model. The appraisal should be done under the guidelines for proposed cases. The following information is also needed:

- narrative analysis of the project including:
  - -current status of project (development stage, number of sales)
  - -status of off-site improvements (streets, common areas)
  - -any condo/PUD information not sufficiently covered on URAR
- list of all options with a value estimate for each one
- list of all offsite improvements included in value
- list of all lots/units including:
  - each lot number or legal description
  - value estimate for each lot
  - total value estimate for each lot and basic improvements to be built on it (or schedule providing for substitution of models on individual lots)

Use the **lowest valued lot,** not the typical lot, for the **base value**.

If the plans show more than one elevation, indicate which one was appraised.

The timeliness requirement for MCRVs is **15 business days**.

The appraiser should e-mail the completed MCRV to VA at VAStaffAppraisers@va.gov A separate pdf file should be prepared for each model.

MCRVs are **not eligible** for the Lender Appraisal Processing Program (LAPP).

St. Petersburg Regional Loan Center
APPRAISAL FEE SCHEDULE

Alabama, Florida, Mississippi

Single Family, Condominium, Manufactured Home	$425.
Two Family	$500.
Three Family	$550.
Four Family	$600.
Repair certification	$100.
MCRV per model	$425.

Puerto Rico

Single Family, Condominium, Manufactured Home	$375.
Two Family	$575.
Three Family	$625.
Four Family	$675.
Repair certification	$100.

U. S. Virgin Islands

Single Family, Condominium, Manufactured Home	$630.
Two Family	$740.
Three Family	$765.
Four Family	$790.
Repair certification	$200.

Appraisal fees for the islands of Vieques and Culebra will be the same as in the U. S. Virgin Islands. Reimbursement for public and private transportation expenses (air, boat and ground transportation) incurred between Puerto Rico; the islands of Vieques, Culebra and, if necessary, the U.S. Virgin Islands is authorized when accompanied by supporting documentation.

STAFF APPRAISAL REVIEWER'S (SAR's)
GENERAL TOPICS

Timely service to Veterans is a high priority of this office. SAR's are required to send the Veteran the Notice of Value (NOV) and a copy of the reviewed appraisal report **within 5 business days** from when the appraisal report is uploaded into WebLGY.

The VA Lender's Handbook requires that lenders' Staff Appraisal Reviewers (SARs) notify VA when fee **appraiser timeliness expectations** are not being met.

SARs may obtain a list of all appraisals for their companies that are pending review at any time WebLGY.

All complaints about **appraiser performance or property condition** should be referred to VA.

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

NOVs must be issued in WebLGY. If a lender is experiencing computer problems or WebLGY is not in operation, SARs may issue NOVs without using WebLGY, and then input the NOV in WebLGY at a later date. If there is a lengthy delay in entering the NOV in WebLGY, the SAR should include a comment in the "SAR Comments" in WebLGY. A blank NOV form is on page 71-74 of this training guide and also in Chapter 13 of the VA Lender's Handbook.

When issuing an NOV in WebLGY, **please edit the property address** as necessary so that the property address on the appraisal and the NOV match exactly. Our office mails important information to the Veteran after the closing. An error on the address on the NOV may cause this mail to be returned undelivered.

If the appraiser makes a **typographical or mathematical error**, the SAR should have the appraiser correct the appraisal. Then, the SAR may issue the NOV using the corrected appraisal.

Appraisals involving **HUD value determinations** are not eligible for LAPP.

Please use the **"SAR Comments"** field provided in WebLGY for making comments on appraisal reviews and for documenting any value increases.

LOCAL ISSUES

SARs are responsible for staying informed about local VA requirements unique to the VA jurisdiction in which a property is located. Local requirements for all states are available online at **http://www.homeloans.va.gov/cav_approved_local_conditions.htm**

Item #2 on the NOV **(Wood Destroying Insect Information)** is required on all NOVs for properties in **Alabama, Florida and Mississippi** with the following exception: If the unit is in a low-rise or high-rise condominium (different households on various floors), a termite inspection is not required unless the appraiser reports a termite problem.

In **Puerto Rico and the U. S. Virgin Islands**, **Item #2 (Wood Destroying Insect Information)** is **not required** unless part of the property (including carport, terraces, etc.) is (or will be) constructed of wood not pressure treated in conformance with American Wood Preservers Institute (A.W.P.I) standards.

Trichloroethene and other compounds have been detected in the groundwater at varying levels in the area of the **Vista View, Eastern Meadows and Chisholm subdivisions in Montgomery, AL. Appraisers who receive an assignment in this vicinity should contact our office BEFORE proceeding with the appraisal. Our office will inform the Veteran and then advise the appraiser whether or not to complete the appraisal.** Details on this situation including a map are available on the Alabama Department of Transportation's website, www.dot.state.al.us. Please click on "quick links" and then please click on "Coliseum Plume".

A copy of our Information Bulletin on **processing loans after a disaster** is reprinted on page 75.

All **manufactured homes** in Alabama, Florida and Mississippi must be installed by a licensed installer. Please see pages 31-32 and 55-58 for more information on manufactured homes.

Due to the mild climate, **heat is not required** in Puerto Rico, the U. S. Virgin Islands and the following counties in Florida: Broward, Charlotte, Collier, Dade, Glades, Hendry, Lee, Martin, Monroe and Palm Beach.

SARs may not wish to exercise their authority to change values up to 5% where it is considered to be in **conflict with State requirements**. In some states, including Florida, the agency which regulates appraisers may take the position that any change in value by an appraisal reviewer subjects that individual to the State's requirements for appraisers.

The following **leaseholds** are fully approved by VA:

Fairhope Single Tax District, AL
Pearl River Valley Water Supply District, MS
Santa Rosa Island, FL
Sixteenth Section School Board Leases in Mississippi

ISSUING NOTICES OF VALUE ON EXISTING (over 1 year old) PROPERTIES

A re-sale of a previously-occupied home that is **under one year old** should be processed as an “existing” property.

If the property is existing, Item #1 on the Notice of Value (**Energy Conservation Improvements)** should always be marked.

Item #2 on the NOV **(Wood Destroying Insect Information)** is required for all properties in **Alabama, Florida and Mississippi** with the following exception: If the unit is in a low-rise or high-rise condominium (with different households on various floors), a termite inspection is not required unless the appraiser reports a termite problem.

In **Puerto Rico and the U. S. Virgin Islands**, **Item #2 (Wood Destroying Insect Information)** is **not required** unless part of the property (including carport, terraces, etc.) is (or will be) constructed of wood not pressure treated in conformance with American Wood Preservers Institute (A.W.P.I) standards.

All repairs involving **defective paint** must be certified by a fee appraiser.

Compliance inspectors do not inspect repairs on existing properties unless the loan involves alterations or improvements for which plans and specs are needed.

Repairs listed on the NOV involving roofing, heating, plumbing, electrical or structural work should include a notation that the work is to be done by a **licensed** individual.

Whenever there is an **unvented fireplace or unvented space heater**, the NOV should be conditioned as shown on page 15.

Information on Airport Noise Zones is reprinted on pages 29-30. If the fee appraiser reports the subject is in a noise zone, the NOV should be conditioned as indicated.

ISSUING NOTICES OF VALUE
on CONDOMINIUMS and PUDs

VA is no longer maintaining a list of approved PUDs. Condos must still be approved by VA.

Item #3 on the NOV should be marked if the subject is located in a PUD or a condominium.

The **status of condo approvals may be checked online in TAS** (The Appraisal System).

VA will accept condominiums that have been fully approved by HUD. VA will not accept "spot" approvals by HUD.

If the condo is **not VA approved**, the NOV will be conditioned in Block 20: "This condominium must be approved by VA before any of its lots/units are eligible for VA loan guaranty."

If the condo is **conditionally VA approved** (related requirements need to be satisfied), the NOV will be conditioned in Block 20: "Evidence must be provided that VA requirements for this condominium have been met."

Chapter 16 of the VA Lender's Handbook explains **how to get condos VA approved.** There is an option described in Chapter 16, part B, which VA encourages, to expedite approval by **having an attorney review the condo documents** and issue an opinion that the documents meet VA requirements.

If the unit is in a low-rise or high-rise condominium (units are stacked with different households on more than one floor) a **termite inspection** is not required unless the appraiser reports a termite problem. A termite inspection is required for single story condominiums or townhome-style condominiums where one household occupies more than one level without having other households above or below the unit.

ISSUING NOTICES OF VALUE ON NEW CONSTRUCTION

New construction is appraised **without plans and specifications**. The fee appraiser must mark the URAR **"as-is" or "subject to repairs"** if some customer preference items need to be completed. Customer preference items are described on page 42. New construction includes properties that have been completed **less than one year** and **never owner-occupied**. A re-sale of an owner-occupied property should be processed as "existing" as shown on page 51.

Before issuing the NOV, the SAR must make sure the **builder has a valid VA builder identification number**. Builder ID numbers may be found online in TAS (The Appraisal System).

The following items are required on the NOV on **all** newly constructed properties:

Item 2 - Wood Destroying Insect Information (either 2a or 2b)
Item 12 - "Not Inspected" Acknowledgment (mark 12a for 1 yr warranty, or 12b for 10 yr warranty)
Item 14 - Energy Efficient Construction
Item 15 - Lead/Water Distribution System
Item 16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority (i.e.: the lender just closed another case on the same block or the subject is a new home in an older, established neighborhood))

The **NOV must include either:**

Item 13 - (Ten-Year Insured Protection Plan)
OR
Item 19 (Construction Warranty) for 1 yr Builder Warranty

Please **do not require both warranties** as only one is required.

The **following items should not be required**:

Item #1 (Energy Conservation Improvements)
Item #17 (Proposed Construction)
Item #18 (Construction Inspections)

Many newly constructed homes are in **PUDs**. If the subject is in a PUD, Item #3 should be marked on the NOV.

In reviewing the appraisal, the SAR may find that other conditions such as Item #5 (Water/Sewage System Acceptability) and Item #8 (Flood Insurance) apply. This section is simply a guide to help with issuing NOVs on new construction.

ISSUING NOTICES OF VALUE ON PROPOSED CONSTRUCTION

Processing of proposed construction cases has been streamlined by eliminating duplication of local building department inspections.

Before issuing the NOV, the SAR must make sure:

- the **builder has a valid VA builder identification number**. Builder ID numbers may be found online in TAS (The Appraisal System); and
- the **builder meets any State and/or local licensing requirements.** Licenses within the jurisdiction of this RLC may be found at:
  Alabama – www.hblb.state.al.us
  Florida – www.myfloridalicense.com
  Mississippi - www.msboc.state.ms.us/Index.cfm
  Puerto Rico – not available online – telephone (787) 722-2122
  U. S. Virgin Islands – not available online - telephone (340) 774-3130

In cases where the appraisal was done from a Model Home, the SAR should place the following verbiage in item 10 of the NOV:

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

For all other cases, the following **construction exhibits** are needed. If any of these items are missing, the SAR must condition the NOV (Item #20) for them:

-**VA Form 26-1852**, Description of Materials (or a form which substantially conforms) signed by builder and Veteran

-**plot plan** including location of well/septic systems if applicable

-all **exterior building elevations** (front, rear, sides)

-**foundation or basement plan**

-**plan of all floors**

-**wall section**

-**certification** signed and dated by a technically qualified and properly identified individual (such as builder, architect, engineer, etc.) which states: "I certify that the construction exhibits for (identify 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." **VA will accept HUD form 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification.**

Proposed construction cases fall into two categories depending on whether or not local building inspections are available.

If the local authority performs foundation, framing and final inspections and issues a Certificate of Occupancy (CO) or equivalent, the CO will serve as evidence

of inspections and satisfactory completion.

If the local authority performs the inspections but does not issue a CO or equivalent, copies of the inspection reports which verify full compliance with local building codes or a written statement from the local authority that states that the required three inspections were performed satisfactorily will serve as evidence of satisfactory completion.

If the local authority performs inspections, the NOV should include:

Item 2, Wood Destroying Insect Information
Item 12 and 12a, Not Inspected (by VA) Acknowledgement
Item 17, Proposed Construction
Item 16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority (i.e.: the lender just closed another case on the same block or the subject is in an older, established neighborhood))
Item 19, Construction Warranty
Item 20, Insert the following "**All construction inspections have been or will be performed by the local building-code enforcement authority in accordance with its policies and procedures with satisfactory results**."
Any missing **construction exhibits** should also be required in Item 20.

If the local authority does not perform the required inspections, the property must be covered by a **10-year insurance backed protection plan** that is acceptable to the Department of Housing and Urban Development (HUD) and a **1-year VA builder's warranty**. The **lender must certify** that the property is 100 percent complete (both on-site and off-site improvements) and that it meets VA's Minimum Property Requirements for existing construction.

If the local authority does not perform inspections, the NOV should include:

Item 2, Wood Destroying Insect Information
Item 12 and 12a, Not Inspected (by VA) Acknowledgement
Item 13, Ten-Year Insured Protection Plan
Item 17, Proposed Construction
Item 16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority (i.e.: the lender just closed another case on the same block or the subject is in an older, established neighborhood))
Item 19, Construction Warranty
Item 20, Insert the following "**The lender is to certify that the property is 100 percent complete (both on-site and off-site improvements) and that it meets VA's Minimum Property Requirements for existing construction."** Any **missing construction exhibits** should also be required in Item 20.

Item #1 (Energy Conservation Improvements) should not be required on proposed construction NOVs.

The builder's 1 year warranty **(Item #19) is required in all proposed cases.**

NOTE: Item #14 (Energy Efficient Construction) and **Item 15** (Lead/Water Distribution System) are **no longer needed** on NOVs for **proposed** construction since the plan certification statement that the builder has placed on the plans covers these items.

ISSUING NOTICES OF VALUE ON MANUFACTURED HOMES

Appraisals of manufactured homes should be prepared on the **Manufactured Home Appraisal Report, FNMA Form 1004c**.

Manufactured homes in **Puerto Rico and the U. S. Virgin Islands** should be processed in accordance with Section 10.05 of the VA Lender's Handbook.

In Florida, Alabama and Mississippi, **processing of manufactured home appraisals has been streamlined** since there is a Manufactured Home Commission, which regulates the installation of manufactured homes in these states.

Existing (over 1 year old) manufactured home:
The following items are always required on the NOV:
Item 1, Energy Conservation Improvements
Item 2, Wood Destroying Insect Information

If the appraiser did not find a **state-licensed installer's decal** on the unit, the following requirement should be included in Item #20 Other Conditions/Requirements: **"Provide evidence from a licensed installer that the manufactured home is installed in accordance with current state requirements or retrofitted as closely as possible".**

New construction manufactured home:
Before issuing the NOV, the SAR must make sure the **builder who constructed the foundation has a valid VA builder identification number**. Builder ID numbers may be found online in TAS (The Appraisal System). The builder must be a state-licensed installer. The builder must also meet any other State and/or local licensing requirements.

The following items are always required on the NOV:
Item 2, Wood Destroying Insect Information
Item 12a - "Not Inspected" Acknowledgment
Item 15 - Lead/Water Distribution System
Item 16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority (i.e.: the lender just closed another case on the same block or the subject is in an older, established neighborhood))
Item 19 – One-Year Construction Warranty
Item 20 -Other Conditions/Requirements: VA Form 26-8599, Manufactured Home Warranty and state-licensed installer's decal if the appraiser

did not find it on the unit.

Proposed construction manufactured home:
Before issuing the NOV, the SAR must make sure the **builder who constructed the foundation has a valid VA builder identification number**. Builder ID numbers may be found online in TAS (The Appraisal System). The builder must be a state-licensed installer. The builder must also meet any other State and/or local licensing requirements.

The following **construction exhibits** are needed. **If any of these items are missing, the SAR must condition the NOV (Item #20) for them:**

- **Description of Materials** (VA Form 26-1852) for the foundation
- **Plot Plan**
- **Foundation Plan** (showing piers/anchorage details)
- **Floor Plan***
- **Exterior Elevations***
- **Details of mating line piers** if property is a double-wide
- Appropriate **construction exhibits for any on-site improvements** (i.e.: garage, deck, porches, patios)
- **certification** signed and dated by a technically qualified and properly identified individual (such as builder, architect, engineer, etc.) which states: "I certify that the construction exhibits for (identify 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." VA will accept HUD form 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification.

*Floor plan and elevations may be from manufacturer's advertising or technical installation manual.

Item 20 of the NOV should require: **VA Form 26-8599, Manufactured Home Warranty** and any **missing construction exhibits**.

Since the processing of proposed construction cases has been streamlined with the elimination of duplicate inspections, the instructions for NOV conditions on pages 54-56 should be followed. Please note there are two categories based on whether or not local building inspections are performed.

The following information is reprinted from Chapter 13 of the VA Lender's Handbook.

13.06 Notice of Value Conditions and Requirements

Introduction

Every notice of value (NOV) issued in conjunction with an appraisal review must include a list of any conditions and requirements that must be satisfied for the property to be eligible for VA loan guaranty.

***Reference**:* See Section 13.05.

Table of NOV Conditions & Requirements

The Table of NOV Conditions and Requirements below

- lists each condition and requirement shown on the standard LAPP NOV in the same order as shown on that NOV,
- explains when each item is applicable,
- explains what action is required to satisfy the condition or requirement, and
- references any additional information about the item in this handbook.

***Reference**:* See Chapter 13, Exhibit 1, LAPP Lender's Notice of Value.

NOV Item	Instructions for Preparing the NOV
Energy Conservation Improvements	Check this item for every property appraised as "existing construction." This action allows lenders to increase the loan amount for buyers to make energy efficiency improvements to the property. ***Note***: "Proposed" or "under construction" and "new construction" cases are not eligible for VA's Energy Efficient Mortgage program. For more on Energy efficient improvements, *see* Item 1 on the NOV or Section 7.03.

Continued on next page

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Wood Destroying Insect Information	Check the appropriate items if the property is located in an area where the probability of termite infestation is "very heavy" or "moderate to heavy" according to the Termite Infestation Probability Map published in The *Council of American Building Officials* (CABO) One and Two Family Dwelling Code. ***Note***: If there is a question about the location of an infestation probability boundary line in relation to the subject property, contact the VA office of jurisdiction to determine if this requirement is applicable. ***Additional Requirements*** • In cases processed as “New Construction,” the builder can meet the requirements for either “existing construction” or “proposed or under construction.” • The pest control operator must meet all requirements of the State in which the property is located. • In States which require the use of a State inspection form in all transactions, the State form is acceptable for VA loan guaranty purposes. • Inspection reports are valid for VA purposes for 90 days from the date of inspection. ***References***: See Section12.06.
Lien Supported Assessment	Check the appropriate items and provide the required information, if applicable. Generally, this involves only units in a planned unit development or condominium. ***References***: • *Item 3* on the NOV • Chapter 16, Section B.

Continued on next page

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Condominium Requirements	Check the appropriate items if the property is located in a condominium. ***Important***: The project must be acceptable to VA, and all project approval-related requirements satisfied, for the property to be eligible for VA loan guaranty. ***Reference***: See Chapter 16, Section A.
Water/Sewer System Acceptability	Check the appropriate items for a property served by an individual • water supply, such as a well, or • septic system in all cases appraised as "proposed or under" construction, and in "new" and "existing" construction cases in which there is an indication of a problem or the property is in an area known to have soil percolation problems. A spring or cistern water supply or pit privy may be acceptable in areas where they meet the standards of the locality and are properly constructed. Lenders should contact the VA office of jurisdiction regarding such cases. ***References***: • *Item 5* on the NOV • Section 10.10 ("Required Exhibits") • Section 12.08. • Section 14.02 ("Third Inspection").
Connection to Public Water/Sewer	Check the appropriate items if the property is served by an individual well or septic system and there is an indication that public water or sewer is available. ***References***: • *Item 6* on the NOV • Section 12.08.
Private Road/Common Use Driveway	Check this item if access to the property is by a private road or common-use driveway. ***References***: • *Item 7* on the NOV • Section 12.05.

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Flood Insurance	Check this item if the dwelling is located in a Special Flood Hazard Area (SFHA). It is the lender's responsibility to assure that flood insurance is obtained and maintained on properties located in SFHAs, whether or not the appraiser correctly identifies the property as being in an SFHA. ***Exceptions***: • The property is not eligible as the security for a VA home, if the property is located in an SFHA and flood insurance is not available because the community is not participating in the National Flood Insurance Program (NFIP) • The lender can appeal to the Federal Insurance Administration (FIA), if there is an indication that a property is incorrectly included in a SFHA. • ***Note***: Based on FIA's administrative review of the scientific or technical data submitted by the lender, FIA may issue a Letter of Map Amendment (LOMA) to amend the current FEMA map and establish that the property is not located in a SFHA. ***References*:** • Item 8 on the NOV • Section 9.10 • Section 10.06 • Chapter 11, Figure 1.
Airport Acknowledgement	Check this item if the property is located in an airport noise zone or safety-related zone acceptable to VA. ***Reference:*** • Item 9 on the NOV • Section 10.06 • Chapter 11, Figure 1.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Repairs	Check the appropriate items and list the repairs recommended by the appraiser which are necessary to make the property meet VA Minimum Property Requirements (MPRs). ***Lead-Paint Conditions*** Since properties built prior to 1978 may contain lead-based paint, the correction of any defective paint condition on such properties must be made according to the requirements in Section 12.03 and inspected only by VA fee personnel or VA staff. ***Notes***: • A notice of value should not be issued for a property in a badly deteriorated condition unless there is a reasonable likelihood that it can be repaired to meet VA MPRs prior to loan closing. • A certification regarding the condition or adequacy of the roof, electrical/plumbing/heating systems, etc., should not be required unless there is an indication of a problem. • Lenders and fee appraisers should use their own letterhead when certifying that required repairs have been satisfactorily completed. Generally, fee inspectors will not inspect repairs to existing properties, unless the loan involves alterations or improvements for which construction exhibits are required. Lender and purchaser disagreements with fee appraiser repair recommendations will be resolved by either: • SAR contact with the fee appraiser (if the repair recommendations do not appear necessary per Section 11.09, for the property to meet MPRs). SAR must then provide in writing any changes made by the appraiser, **or** • VA contact with SAR or fee appraiser (if initial lender/appraiser contact does not resolve the issue), **or** • SAR and purchaser request VA to waive the repair item(s) in question, **if** necessary **and** appropriate per Section 12.01 under “Exemptions”.

Continued on next page

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Repairs, continued	***Reference:*** • Item 10 on the NOV • Section 10.01 • Section 10.05 • Section 10.06 • Section 11.04 • Section 11.09 • Chapter 12.
Local Housing/ Planning Authority Code Requirements	Check this item if the property is existing construction which is located in an area where specific local housing/planning authority code requirements are enforced in conjunction with the sale of homes ***Reference***: • Item 11 on the NOV • Section 10.07 • Figure 1 in Chapter 11

Continued on next page

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
"Not Inspected" Acknowledgement	Check the appropriate items if the property was appraised as "new construction". ***Note**: Item 12a* on the NOV applies if the property is to be covered by a one-year builder's warranty per Section 10.08. *Item 12b* on the NOV applies if the property is to be covered by a 10-year insured protection plan per Section 10.09. ***Reference***: • Item 12 on the NOV • Section 10.05 • Section 10.08 • Chapter 10, Figure 1.
10-Year Insured Protection Plan	Check this item if the property was appraised as either "proposed or under construction" or "new construction" and is to be covered by a 10-year insured protection plan. ***Note**:* A copy of the builder's application to enroll the subject property in an acceptable 10-year plan is adequate "evidence of enrollment." It is the builder's responsibility to ensure that all enrollment fees are paid and the enrollment process is otherwise completed. ***Reference:*** • Item 13 on the NOV • Section 10.05 • Section 10.09 • Chapter 14, Overview.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Energy Efficient Construction	Check this item if the property was appraised as "new construction." The certification is required even when State or local energy-related requirements exceed the 1992 Council of American Building Officials (CABO) Model Energy Code (MEC) standard. The certification is not required if the dwelling is either • manufactured home built to HUD code and inspected by HUD in the factory, or • individual unit in a condominium over two stories high. ***References***: • *Item 14* of the NOV • Section 12.02.
Lead/Water Distribution System	Check this item if the property was appraised as "new construction." This requirement also applies to cases involving alterations, improvements or repairs to the potable water distribution system. ***Reference***: See *Item 15* on the NOV.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Offsite Improvements	Check this item if the property was appraised as either "proposed or under construction" or "new construction" and off-site improvements have not been completed and accepted for maintenance by the local authority at that time, such as • streets • sidewalks • drains, and/or • sewers. ***References***: • *Item 16* on the NOV • Section 9.09 • Figure 1 in Chapter 10.
Proposed Construction	If the property was appraised as "proposed or under construction," check this item and provide the information required to identify the construction exhibits used. ***References***: • *Item 17* on the NOV • Section 10.10.
Construction Inspections	Check this item and identify the VA-assigned fee inspector if the property was appraised as "proposed or under construction." ***References***: • *Item 18* on the NOV • Section 10.04 • Chapter 14.

Continued on next page

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Construction Warranty	Check this item if the property was appraised as either • "proposed or under construction," or • "new construction" and the builder will provide a one-year VA builder's warranty (instead of a ten-year insured protection plan). In both of the above situations, the veteran purchaser must be provided with a one-year builder's warranty on VA Form 26-1859, Warranty of Completion of Construction, signed by an authorized official. See "NOV Item – Ten Year Insured Protection Plan" in this Section if the property will be covered by a ten-year protection plan. Use the following to determine how to handle cases involving **manufactured homes classified as real estate**.

When cases …	Then …
processed as "proposed or under construction" (See the definition in Section 10.10)	the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.
involve a new manufactured home unit	the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty. ***Note***: This warranty will cover the manufactured home unit only.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

<table>
<tr><th>NOV Item</th><th>Instructions for Preparing the NOV</th></tr>
<tr><td>Construction Warranty, continued</td><td>
<table>
<tr><th>When cases ...</th><th>Then ...</th></tr>
<tr><td>involve a used manufactured home sold by a dealer</td><td>the dealer must provide the purchaser with a six-month warranty on VA Form 26-8730, Used Manufactured Home Limited Warranty.

This warranty that the mechanical equipment, electrical, gas and heating systems, and water and plumbing systems are in operating condition and the roof is weathertight. This warranty is not required in connection with the sale of a used manufactured home not involving a dealer.</td></tr>
</table>

References:
• Item 19 on the NOV
• Section 10.05
• Section 10.08
• Section 10.09
• Section 10.10.
</td></tr>
</table>

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13.06 Notice of Value Conditions and Requirements,

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Other Conditions & Requirements	Check this item and list any other conditions or requirements necessary to satisfy fee appraiser or local VA office concerns, or otherwise cause the property to meet all VA requirements. ***Example***: If the dwelling will have a permanently installed, non-electric, non-vented fireplace or other non-vented space heater, the NOV must be conditioned to require • the veteran purchaser's written acknowledgement that the dwelling contains an non-vented fireplace or space heater which has not been inspected by VA, and • a written heating/air conditioning contractor, that identifies the property and states that the non-vented appliance – is equipped with an approved Oxygen Depletion Sensor, and – meets local building authority requirements, or is installed according to the manufacturer's recommendations if there are no local requirements. ***Consistency and Additional Conditions*** VA offices are expected to be as consistent as practicable regarding NOV conditions and requirements. They will notify lenders in writing when a local situation dictates an additional condition/requirement not listed on the standard NOV.
SAR Signature	**If …** **…then…** the NOV **was** issued through • TAS *the signature of the SAR is required on the NOV sent to the veteran, *however, no SAR signature is required on E-mailed copies to the veteran. the NOV **was not** issued through TAS * the signature of the SAR is required on **both** the *NOV sent to the veteran and the NOV sent to VA. *the SAR's signature is also required on the SAR Certification which must be sent to VA with a copy of a reviewed appraisal and NOV.

Notice of Value Form reprinted from Chapter 13 of the VA Lender's Handbook.

Exhibit 1—LAPP Lender's Notice of Value

[on lender's letterhead]

LENDER'S NOTICE OF VALUE

[date of notice] LENDER LOAN NO.: VA CASE NO.:
APPRAISAL REVIEWER: [SAR name, SAR id #]
[Mr. and/or Ms.] [purchaser's name and current mailing address] PROPERTY ADDRESS: [complete address]

Dear [Mr. and/or Ms.] [purchaser's last name]:

The above property has been appraised by a fee appraiser assigned by the VA regional office in [city and state]. On [date], our VA-authorized appraisal reviewer personally reviewed the fee appraiser's report and determined the property's estimated reasonable value to be $[amount]. The maximum repayment period for a loan to purchase this property is [fee appraiser's "economic life" estimate or 30, whichever is less] years.

The VA appraisal was made to determine the reasonable value of the property for loan purposes. It must not be considered a building inspection. Neither VA nor the lender can guarantee that the home will be satisfactory to you in all respects or that all equipment will operate properly. A thorough inspection of the property by you or a reputable inspection firm may help minimize any problems that could arise after loan closing. In an existing home, particular attention should be given to plumbing, heating, electrical and roofing components.

REMEMBER: VA GUARANTEES THE LOAN, NOT THE CONDITION OF THE PROPERTY.

THE CONDITIONS/REQUIREMENTS CHECKED BELOW APPLY TO THIS PROPERTY:

_____ 1. **ENERGY CONSERVATION IMPROVEMENTS.** You may wish to contact the utility company or a reputable firm for a home energy audit to identify needed energy efficiency improvements to this previously occupied property. Lenders may increase the loan amount to allow buyers to make energy efficiency improvements such as: Solar or conventional heating/cooling systems, water heaters, insulation, weather-stripping/caulking and storm windows/doors. Other energy-related improvements may also be considered. The mortgage may be increased by up to $3,000 based solely on documented costs; or up to $6,000 provided the increase in monthly mortgage payment does not exceed the likely reduction in monthly utility

costs; or more than $6,000 subject to a value determination by VA.

_____2. **WOOD-DESTROYING INSECT INFORMATION**

_____a. **Inspection Report (Existing Construction).** The property must be inspected at no cost to you by a qualified pest control operator using Form NPCA-1, or other form acceptable to VA. Any reported infestation or structural damage affecting the value of the property must be corrected to VA's satisfaction prior to loan settlement. You must acknowledge receipt of a copy of the inspection report in the space provided on the form.

_____b. **Soil Treatment Guarantee (Proposed or Under Construction).** A properly completed Form NPCA-99a is required. If the soil is treated with a termiticide, a properly completed Form NPCA-99b is also required. The lender will provide you with a copy.

_____3. **LIEN-SUPPORTED ASSESSMENT.** This property is located in a development with mandatory membership in a homeowners' association. The lender is responsible for ensuring that title meets VA requirements for such property and that homeowner association assessments are subordinate to the VA-guaranteed mortgage.

_____a. **Homeowner Association Fee.** Estimated fee of $[amount] per [period of time].

_____b. **Other.** _____

_____4. **CONDOMINIUM REQUIREMENTS.** The lender is responsible for ensuring that this condominium is acceptable to VA and that any condominium-related special conditions or requirements have been met. There may be additional information in "Other Conditions/Requirements" below.

_____5. **WATER/SEWAGE SYSTEM ACCEPTABILITY.** Evidence from the local health authority or other source authorized by VA that the individual _____ **water supply**, _____**sewage disposal** system(s) is/are acceptable.

_____6. **CONNECTION TO PUBLIC WATER/SEWER.** Evidence of connection to _____ **public water**, _____ **public sewer**, if available, and that all related costs have been paid in full.

_____7. **PRIVATE ROAD/COMMON-USE DRIVEWAY.** Evidence that use of the private road or common-use driveway is protected by a recorded permanent easement or recorded right-of-way from the property to a public road, and that a provision exists for its continued maintenance.

_____8. **FLOOD INSURANCE.** Since improvements on this property are located in a FEMA Special Flood Hazard Area, flood insurance is required.

_____9. **"AIRPORT" ACKNOWLEDGEMENT.** Your written acknowledgement that you are aware that this property is located near an airport and that aircraft noise may affect the livability, value and marketability of the property.

_____10.**REPAIRS.** The _____ **lender** _____ **fee appraiser**

(_____[name]_____) _____ **fee compliance inspector** (_____[name]_____) is to certify that the following repairs have been satisfactorily completed. See the above second paragraph about your responsibility concerning the condition of the property.
_____[List repairs recommended by fee appraiser which are necessary to make the property meet VA minimum property requirements for existing construction. Inspections/certifications should not be required unless there is an indication of a potential problem.]_____

_____11. **LOCAL HOUSING/PLANNING AUTHORITY CODE REQUIREMENTS.** Evidence that local housing or planning authority code requirements, if any, have been met.

_____12. **"NOT INSPECTED" ACKNOWLEDGEMENT.** Your written Acknowledgement that, you are aware that since this new property was not inspected during construction by VA,

_____a. VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported during the one-year builder's warranty period.

_____b. VA will not intercede on your behalf in the processing of any construction complaints.

_____13. **TEN-YEAR INSURED PROTECTION PLAN.** Evidence of enrollment of this new property in a 10-year insured protection plan acceptable to the Department of Housing and Urban Development (HUD).

_____14. **ENERGY EFFICIENT CONSTRUCTION.** Builder's certification which identifies this new dwelling and states that it was constructed to meet the energy conservation standards of the Council of American Building Officials (CABO) 1992 Model Energy Code (MEC).

_____15. **LEAD/WATER DISTRIBUTION SYSTEM.** Builder's certification which identifies this new dwelling and states that the solders and flux used in construction did not contain more than 0.2 percent lead and that the pipes and pipe fittings used did not contain more than 8.0 percent lead.

_____16. **OFFSITE IMPROVEMENTS.** Evidence that the streets, sidewalks, drains, water, sewer, etc. have been completed and accepted for maintenance by the local authority.

_____17 **PROPOSED CONSTRUCTION.** To be completed based on construction exhibits identified as ____[model name; or type of construction, square footage, # rooms, # bedrooms and # bathrooms]_____

_____18. **CONSTRUCTION INSPECTIONS.** By VA fee compliance inspector (_____[name]_____) or HUD fee inspector (with prior VA approval). _____ Only a final inspection is required if local building authority inspections are acceptable to VA, or if builder to provide you with a ten-year insured protection plan acceptable to HUD.

_____19. **CONSTRUCTION WARRANTY.** One-year VA builder's warranty on a fully completed VA Form 26-1859, Warranty of Completion of Construction.

_____ 20. **OTHER CONDITIONS/REQUIREMENTS**:

_____

_____

_____

_____

Sincerely,

[signature, name and title of person authorized to sign notice]

VA Loan Guaranty Policy Regarding Natural Disasters

In the event that there is a declaration of a major disaster, the following is an outline of VA requirements regarding loans secured by properties in areas designated by Federal authorities as a result of a natural disaster such as hurricanes, tropical storms, tornadoes, etc. When the President declares a disaster, lenders and servicers must check with the Federal Emergency Management Agency (FEMA) to obtain the specific counties and corresponding declaration dates. In addition, lenders and servicers should check with FEMA for any amendments. This information can be found on the Internet at www.fema.gov/hazard/index.shtm or by calling the local FEMA office.

1. **Loan Origination Issues**

   a. **Loan Closed Prior to Disaster.** Any loan closed prior to the date of the declared disaster is eligible for VA Guaranty without regard to the disaster. The "Loan Servicing and Claims" information in paragraph 2 applies to these cases.

   b. **Property Appraised Prior to Disaster.** For a loan on a property appraised on or before the date of the declared disaster and not closed prior to that date to be eligible for VA guaranty:

      1) **Certifications.** Both of the following certifications must be submitted with the guaranty request:

         a) **Lender Certification** – This is to affirm that the property which is security for VA loan number _____ has been inspected to ensure that it was either not damaged in the recently declared disaster or has been restored to its pre-disaster condition or better.

         _____ _____ _____
         (Lender Signature) (Lender Title) (Date)

         b) **Veteran Certification** – I have inspected the property located at _____ and find its condition now to be acceptable to me. I understand that I will not be charged for any disaster-related expenses and now wish to close the loan.

         _____ _____
         (Veteran Signature) (Date)

      2) **VA Loan Summary Sheet.** The "Remarks" section of VA Form 26-0286, VA Loan Summary Sheet must be annotated "Lender and Veteran Disaster Certifications Enclosed." Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local

report(s) must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection or repairs.

3) **Decline in Value.** If there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, then the lender must have the VA fee appraiser update the original value estimate. The payment of the appraiser's fee for that service will be a contractual matter between the buyer and seller. If the property value has decreased, the loan amount must be reduced accordingly.

4) **Employment/Income Certification.** The lender should ascertain prior to closing that the veteran's employment and income have not changed since the loan application. If at the time of closing the veteran is no longer employed or family income has been reduced, this information should be reported to VA or the automatic underwriter, as appropriate, for evaluation prior to closing the loan.

2. **Loan Servicing and Claims Issues**

a. **Assistance to Homeowners.** VA encourages holders of guaranteed loans in disaster areas to extend every possible forbearance to borrowers in distress through no fault of their own. For example, title 38, Code of Federal Regulations (CFR), section 36.4311 (Prepayments) allows the reapplication of prepayments to cure or prevent a default. This means that if a borrower has been making additional principal payments over a period of years, the principal balance may be increased up to the scheduled balance and the increase applied toward regular installments. Also, 38 CFR 36.4315 (Loan modifications) allows the terms of any guaranteed loan to be modified without the prior approval of VA, provided certain conditions in the regulation are satisfied.

VA encourages servicer to waive late charges on loans affected by the disaster. VA further requests that credit reporting be suspended for borrowers whose loans are deemed to be affected by the disaster.

b. It is the loan holder's responsibility to inspect damage to properties, counsel borrowers concerning assistance that may be available to them and provide the applicable Regional Loan Center with a report that outlines the findings and actions for each damaged property. Loan holders should contact the appropriate Regional Loan Center before consenting to an insurance adjustment where the proceeds will not be sufficient to pay the loan balance or restore the security.

c. **VA Bulletin for Borrowers.** Please include a copy of the attached "VA Loan Guaranty Benefits" paper in any correspondence you send borrowers in the disaster areas. The information provided here should be beneficial to all parties involved.

d. **Moratorium on Foreclosures.** Although the loan holder is ultimately responsible for determining when to initiate foreclosure and for completing termination action, VA requests that holders establish a 90-day moratorium from the date of the disaster on initiating new foreclosures on loans affected by major disasters. VA regulation

38 CFR 36.4324(a)(3)(ii) allows additional interest on a guaranty claim when eventual termination has been delayed due to circumstances beyond the control of the holder, such as for VA-requested forbearance. The initial request applies to loans in the federally declared disaster areas, which VA believes should include areas declared by FEMA as eligible for public assistance as well as those areas eligible for individual assistance. Because of the widespread impact of some disasters, holders should ensure that all foreclosure referrals nationwide during the moratorium are reviewed prior to initiation, to ensure that borrowers have not been affected significantly enough to justify delay in referral. Any questions about impact should be discussed with the appropriate VA Regional Loan Center (RLC).

There are two exceptions to the 90-day moratorium on new foreclosures:

1) When a default is clearly insoluble, there is no likelihood of reinstatement, and the holder requests and receives VA prior approval to initiate foreclosure during the period of the moratorium; or

2) When a foreclosure sale, the product of an insoluble default which occurred prior to the disaster, was already scheduled. The sale should be delayed only to the extent necessary to determine whether the liquidation appraisal remains accurate and for such time as it may take for the holder to obtain acceptable hazard insurance loss settlement for purposes of 38 CFR 36.4329.

d. **Insurance Requirements.** VA Regulations (38 CFR 36.4329) require that lenders and holders ensure that homes financed with the assistance of VA-guaranteed loans be sufficiently insured against hazards (including flooding, where appropriate). Insurance proceeds are to be applied to the restoration of the security or to the loan balance. The burden of proof is upon the loan holder to establish that no increase in VA's ultimate liability is attributable to the failure of the holder to have the property properly insured, or to properly apply an insurance loss settlement.

Holders are reminded that hazard insurance policies are not to be canceled in the event of a foreclosure sale if the property is to be conveyed to VA. The policies are to be endorsed to the Secretary of Veterans Affairs.

Any case-specific Appraisal, Loan Production and/or Loan Administration issues may be directed to the appropriate Regional Loan Center.

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