FEE APPRAISER'S GUIDE

FOR THE

ROANOKE REGIONAL LOAN CENTER

(Revised July 17, 2012)

Welcome to the Department of Veterans Affairs Fee Appraisal Panel.

This Guide will help you to properly complete VA appraisal assignments and assist as a reference for other performance and conduct matters

Changes to this Guide will be posted on our VA Regional Loan Center webpage at:

http://www.benefits.va.gov/roanoke/

We will advise you when there are changes you should obtain.

Our desire is that you help us provide the very best service possible to the veterans that we serve. To this end, we request that you display a courteous attitude and a high degree of professionalism with our other program participants.

Feel free to contact our office anytime you have questions about VA procedures or appraisal guidelines.

Sincerely,

Christina Searing Valuation Officer	Sandra Goudie Assistant Valuation Officer	Kevin Diomedi Assistant Valuation Officer

DEPARTMENT OF VETERANS AFFAIRS

ROANOKE REGIONAL LOAN CENTER
C&V - 262
116 N. Jefferson Street
Roanoke, Va. 24016

800-933-5499, Option 3 for C&V, Option 4 for Specially Adapted Housing

TELEPHONE: VETERANS ASSISTANCE (NATIONWIDE) (800) 827-1000

WEBSITES: VETERANS INFORMATION PORTAL https://vip.vba.va.gov

(Access WEBLGY, Condo Reports, Builder Locator)

ROANOKE OFFICE: http://www.benefits.va.gov/roanoke/

C&V STAFF CONTACT INFORMATION:

General Mailbox: cv.vbaroa@va.gov for misc. correspondence

FAX: (540) 597-1798

NAME	EMAIL	PHONE ext.
CHRIS SEARING	christina.searing@va.gov	1506 – Valuation Officer
SANDRA GOUDIE	sandra.goudie@va.gov	1507 – Asst. Valuation Officer
KEVIN DIOMEDI	kevin.diomedi@va.gov	1657 – Asst. Valuation Officer
DAVID AYERS	david.ayers@va.gov	1656
GENE DEWOODY	clyde.e.dewoody@va.gov	1659
ED HALL	edward.hall@va.gov	1527
RICARDO HOLLOWAY	ricardo.holloway@va.gov	1658
ELIZABETH LAWRENCE	elizabeth.Lawrence@va.gov	1661
MARTHA MINTER	martha.minter@va.gov	1662
MIKE SIGMON	michael.sigmon@va.gov	1536
ETHEL SKIBINSKI	ethel.skibinski@va.gov	1526
JEFF THOMAS	jeff.thomas1@va.gov	1655
RANDY WAKELING	randy.wakeling@va.gov	1653
TOM WILLARD	thomas.willard@va.gov	1660
STEVEN UNDERWOOD	steven.underwood@va.gov	1549

NAME	EMAIL	PHONE & FAX
	TIDEWATER, VA	
DONALD NUNNALLY	donald.nunnally@va.gov	757-441-6762 ext. 20 757-441-3783 (fax)
JOSEPH RAYMOND	joseph.raymond@va.gov	757-441-6762 ext. 13 757-441-3783 (fax)
	LOUISVILLE, KY	
DEBBY EPPERSON	debby.epperson@va.gov	502-566-4490 502-587-3059 (fax)
BILL SIMMONS	william.p.simmons@va.gov	502-566-4484 502-587-3059 (fax)
	HUNTINGTON, WV	
CHARLIE MAKOWSKI	charlie.makowski@va.gov	304-399-9251 304-399-9184 (fax)
	MORGANTOWN, WV	
STEVE MYERS	steven.myers1@va.gov	540-815-1330
	BALTIMORE, MD	
JAMES JENKINS	james.jenkins1@va.gov	410-230-4560 410-230-4565 (fax)
DENISE WALTERS	paula.walters@va.gov	410-230-4500 ext. 2030 410-230-4564 (fax)
WINFIELD WILLIS	winfield.willis@va.gov	410-230-4500 Ext 2092 410-230-4564 (fax)
	WASHINGTON, D.C.	
DONNA BURNS	donna.e.burns@va.gov	202-530-9405 202-530-9413 (fax)
PAUL MYERS	paul.d.myers@va.gov	202-530-9010 202-530-9413 (fax)

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SECTION A: GENERAL TOPICS

A1. GENERAL INFORMATION

1. YOUR AVAILABILITY and CONTACT INFO

You must be available during business hours and return all calls or email inquiries within 24 hours. Notify us promptly by email to the **general mailbox (see contact info, page 3)** or phone and follow-up in writing any time you are unavailable due to illness, vacations, or other obligations.

Please notify VA 10 business days PRIOR to going on vacation so you have sufficient time to complete all pending assignments.

If you desire inactive status for a period exceeding 90 days (except health-related), your return to active status will be reviewed in light of current assignment needs.

Please notify us (via the general mailbox) when you have an change of address, phone # or e-mail, as we will update separate records. You may update your address and phone and e-mail information in WEBLGY which is our online production site. You can obtain access to WEBLGY via the Veterans Information Portal (V.I.P.) at: https://vip.vba.va.gov.

You will need to register as a new user the first time you use that site. To do this you will need your VA appraiser ID#; contact us for that information. Once you have logged on, there is a "link" to WEBLGY on the left side of the screen (under "Applications").

2. APPRAISAL ASSIGNMENTS

a. The Assignment Process and VA Case Numbers:

We provide all appraisal assignments and reassignments, appraiser territories and related matters. Assignments are provided on a rotating basis from a roster of Fee Appraisers who have been selected and approved by us. The number of assignments given to you is governed by your ability to complete reports within VA timeliness standards, by the overall quality of the reports submitted, and by the needs of the marketplace.

All assignments are generated at the WEBLGY website (see 1 above). The programming maintains the rotation and your area(s) of coverage. E-mail us to reassign any cases inadvertently sent you that are not in your area of coverage, or cases where you have a conflict of interest.

All VA cases are assigned a VA Case Number whether or not an appraiser is assigned. The case number must be included in your appraisal report and all other related correspondence.

b. Assignment Request Form:

The VA appraisal assignment request form (VA Form 26-1805) is generated directly from WEBLGY. Obtain this form (and verify your name on it) before you proceed in all cases! If someone else has been assigned the case, then notify the requestor to properly forward the request form. (see Section B2)

c. Managing Your Work:

You can access WEBLGY (via the Portal per A1.1 above) to check on your latest assignments, and also to verify your assigned work area (geo code).

Note: Your pending assignments may include cases that you have completed. This has no effect on your future assignments. WEBLGY is periodically updated to remove those cases.

3. TIMELINESS AND PRIORITY OF REPORTS

a. Timeliness:

For origination cases we expect you to complete a report within the same time frame as for an equivalent "conventional" appraisal. Currently our standard is **10 workdays (or less)** from the date you receive the assignment.

We periodically survey lenders and appraisers to determine an acceptable timeframe for completion of origination reports. Consequently, delays for reasons such as "unusual property", "comparable sales hard to find", or "heavy workload" are generally unacceptable.

Liquidation reports are always completed in **5 workdays (or less)**, unless the property is vacant, in which case you must wait for interior access. (See Section C4.2)

You are allowed additional time for Master Certificate (MCRV) cases. (See Section D)

If you are unable to complete an origination assignment within a normal time frame due to access problems, missing plans (Proposed Cases) or new construction that is not yet complete to the Customer Preference stage then notify us to cancel the case and notify the lender that you have done so. (see Section A3.2)

A pattern of tardiness without proper justification may result in disciplinary action such as limiting the number of assignments you receive. (See Section E)

You should show the date you received the assignment and the date you first attempted to upload the report to WEBLGY in the cost approach comments section of the URAR (or the 2-4 Family Income Property Report form). For Condo reports, show in Project Analysis Section (p. 2). (See also Section B4.5)

Appraisers now have the ability to add notes to a specific case number in webLGY. We strongly encourage you to use this to document delays and status of your report. Also included is an option to mark your notes for 'Public" viewing so the lender can see the notes.

Timeliness guidelines will be strictly followed. Reasons for delay in the past may not be acceptable today. Unless there are extenuating circumstances, most delays will result in a Negative Timeliness letter to the appraiser. If immediately after receiving the VA assignment, you determine you cannot complete the appraisal report in the prescribed time, send an email to the General email box requesting a reassignment. Please include reason for request.

b. Priority of Reports:

You should manage your work flow based upon when you receive the request, and the completion timeframes given above. On rare occasions, we may ask you to expedite or prioritize a particular VA assignment. In those cases, complete that assignment based on the instructions we provide. Advise us immediately if unable to do so.

4. APPRAISAL REPORT FORMS USED

- Single-family (not condominium): FNMA Form1004 (URAR) and FNMA 2055
- Manufactured (Mobile) Homes: FNMA Form 1004C (Manufactured Housing)
- Condominium: FNMA Form 1073 (Condo)
- Exterior Only Inspection FNMA Form 2055 (Liquidations)
- Exterior Only Inspection Condo FNMA Form 1075 (Liquidations)
- Exterior Only Inspection Coop FNMA Form 2095 (Liquidations)
- 2-4 Family: FNMA Form 1025 (Small Income Property)*. (*The supplemental Income/Expense Form is NOT required).

5. APPRAISAL AND INSPECTION FEES:

Appraisal Fees for assignments generated on/after August 1, 2011 are:

Location	Type	Origination	Liquidation	Complex
Virginia, West Virginia, Maryland, District of Columbia	SFR/Condo/MH 2-4 Family	$400 $550	$450 $600	See Below
Kentucky (counties of Jefferson, Warren and Fayette; cities of Louisville, Bowling Green and Lexington)	SFR/Condo/MH 2-4 Family	$325 $475	$375 $525	See Below
Kentucky (all other Cities and counties)	SFR/Condo/MH 2-4 Family	$375 $525	$425 $575	See Below

Re-inspection Fees (Existing and New Construction, all except Kentucky)	$ 75
Re-inspection Fees (Existing and New Construction, Kentucky)	$ 65

All reinspections should be submitted to the lender on the appraiser's letterhead

Complex cases-Appraiser should negotiate a mutually agreeable fee with the lender. Appraiser then must forward a request for approval of the fee to VA with specifics. Appraiser will await approval from VA. Approval should be documented on invoice. A Complex Case would be a case in which the square footage was much larger than standard (example 5,000 sq. ft.), the home value is in excess of $800,000 or other unusual factors which should be considered. Requests will be considered on a case by case basis and are subject to disapproval.

You are responsible for all expenses associated with the preparation, completion and transmittal of all reports. The following applies to mileage charges.

VA Policy and Procedure for Mileage Charges on VA Appraisals and Inspections For the Roanoke Virginia VA Regional Loan Center

The fees for mileage will be administered in accordance with Section 10.12 of VA Pamphlet 26-7 VA LENDER'S HANDBOOK.

The section regarding the mileage fee reads as follows:

If a property is located outside of the fee person's normal business area, an additional fee may be charged **only** for that portion of travel **beyond the normal business area** and at a mileage rate not to exceed that allowed for federal employee travel.

That travel must be by the most direct route and the billing **must** include a breakdown of the mileage. VA offices will consider adding more fee panel members to provide better coverage in areas where mileage-related fees are excessive.

APPLICABLE INFORMATION

1. Appraisers and inspectors will be allowed to charge for miles traveled over 40 miles round trip for an assigned appraisal regardless of the GEO areas assigned to the appraiser.
2. The allowable rate is set by General Services Administration (GSA) and will be the currently posted rate for Privately Owned Vehicle (POV) Mileage Reimbursement Rates on the GSA website at http://www.gsa.gov/Portal/gsa/ep/contentView.do?P=MTT&contentId=9646&contentType=GSA_BASIC
3. The amount that is reimbursable would be the rate for an automobile shown in the block labeled "If no Government Owned Vehicle available.

WHAT APPRAISERS AND INSPECTORS NEED TO DO

You need to familiarize yourself with the website where the allowable mileage charge is located.

If you charge an additional fee for miles traveled you **must** submit a copy of the screen from the GSA website in the report showing the current posted rate and a statement detailing the number of miles traveled and the calculation used to arrive at the total fee. This documents the amount of the charge and will help lenders understand the reason for it.

WHAT WE WILL DO

We will answer any questions about this change in procedure from Fee Panel Personnel and Lenders.

Note

In recent years some appraisers requested that they be assigned cases in other nearby GEO areas. This was allowed. If we find that we are allowing charges for mileage for appraisals in areas that have a sufficient number of appraisers, we may change some areas of assignment. An example is an appraiser in an urban or suburban area, who asked to work in the next county and then charges mileage to do so, when we already have a sufficient work force of fee appraisers who do not charge mileage to work in that city or county. In this case it would be appropriate to remove that GEO area from the appraiser who charges mileage when the others do not.

6. PAYMENT OF FEES and COLLECTION ASSISTANCE

Submit invoices only after completion and uploading/delivery of the appraisal report. Payment is due after the appraisal is completed and sent.

You are entitled to prompt payment. However, any collection efforts you need to make should be handled in a professional and businesslike manner.

We will assist you in collection of fees that are 60 days past due. We will only assist with collection of invoices that are less than a year old. When necessary send us a copy of your invoice, a copy of the original appraisal request (VA Form 26-1805) and info regarding who you have contacted. We will provide written and/or telephone correspondence to assist with obtaining payment. If a valid invoice is not paid, we may place that lender on "advance payment" status with the entire fee panel.

We may authorize you individually to require payment in advance if:

- You have documentation of a regular, ongoing payment problem and
- Documentation that the party responsible for payment will not respond

This documentation should consist of copies of previous correspondence regarding past due accounts, records of telephone calls made and any other information that you deem as supportive evidence. We consider 3 occurrences of late payment as a problem.

A2. APPRAISER CONDUCT and CONFLICTS

1. GENERAL CONDUCT

As a fee panel appraiser or inspector, you are considered as acting on behalf of the VA. ***Courteous, professional conduct is an absolute necessity.***

Remember, your perspective about a person's home (or prospective home) is a sensitive issue. Many of the complaints we get about VA appraisers relate directly to what is said or done in the process of completing the appraisal. Therefore, be mindful of your attitude and remarks you make while performing your appraisal service.

2. CONFLICT(S) OF INTEREST

Note that although you may have an outside conflict of interest, this in itself does not eliminate you from VA fee appraisal assignments. This *does* mean that you should have a case reassigned when a conflict arises! See VA policy below.

3. VA POLICY CONCERNING CONFLICTS OF INTEREST

The following statement of VA policy will provide some examples of conflict of interest and some guidelines for fee personnel:

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

- *Any connection established that may result in a conflict between the private interests of the VA Fee Appraiser or Compliance Inspector and his/her duties and responsibilities to VA and veterans.*

- *Any circumstances wherein information obtained from or through a VA assignment to appraise or to make compliance inspections will be used to the detriment of the Government or veterans.*

Specifically, the foregoing statements of policy and the standards are intended to preclude any Fee Appraiser or Compliance Inspector from:

- *Selling land to a builder or sponsor and then making an appraisal or compliance inspection of a dwelling unit purchased by a veteran with guaranteed, insured, or direct loan.*

- *Owning an interest in, being employed by, or operating an architectural, engineering or land planning firm which renders services to builders or sponsors and later accepting an assignment from VA to appraise or inspect dwelling units built or to be built by a particular builder or sponsor for whom architectural, engineering, or land planning services have been rendered by the firm in which the Fee Appraiser or Compliance Inspector has employment or interest.*

- *Appraising or inspecting dwelling units on VA assignments and later accepting exclusive selling rights for the homes.*

- *Appraising or inspecting properties for builders or sponsors who are purchasing hazard insurance or title services with respect to those properties from a company in which the Fee Appraiser or Compliance Inspector has an interest.*

- *Owning an interest in a project developed by a builder and accepting VA appraisal or inspection assignments in another area which the same builder owns, is building, or is handling as real estate broker.*

- *Having an interest in or representing building supply firms and accepting VA assignments on dwelling units built by builders or sponsors who deal extensively with such supply firms.*

- *Accepting a VA assignment to appraise property if the fee is contingent upon supporting a predetermined conclusion.*

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

The provisions above do allow you to act as sales agent or broker in connection with a particular property. However, if you receive an appraisal or inspection request related to VA financing on the property then you should request reassignment to someone else. Notify us immediately if you are elected or appointed to public office, or if affiliated with any new lender, builder, or realty firm; or if you have a financial interest in the property to be appraised.

4. APPRAISER RESPONSIBILITY AND ASSISTANCE WITH THE REPORT

YOU are personally responsible for all information in the report. You must personally inspect the property inside and out, and inspect at least the exterior of each comparable sale used. You must also select and analyze the comparable sales and determine the final value estimate.

You should also inspect the exterior of any listing or pending contract included in the report, when that data is critical to the value conclusion.
You may obtain assistance in the gathering of field data, such as researching courthouse records, verifying market information and assembling the report. The report may include documentation to show such assistance. However, *you must sign the appraisal report as the appraiser.*

If we find that someone other than you completed the appraisal, then you are subject to disciplinary action by us, which can include removal from the fee panel.

5. DIVULGING INFORMATION FROM THE APPRAISAL REPORT

Generally, you can discuss your report with someone from this VA Regional Loan Center or the local VA Regional office, a LAPP or SAPP staff appraisal reviewer, a SLMP loan servicer, or a representative of the contractor who services VA portfolio loans (currently BAC Loans Servicing, LP). (See Sections A5-A7).

Avoid discussions of specific appraisal issues with real estate brokers and agents, mortgage loan officers, loan processors, buyers and property owners. However, when requested you must inform them as to the status (of completion) of the appraisal. Also, you typically must notify the appraisal requestor (for a VA purchase) when it appears that the final value estimate will be less than the contract price. The requestor will have the opportunity to obtain and provide additional information to you for review. (See Section B5).

Under the Freedom of Information Act, any VA appraisal report will be made available to any party upon written request sent directly to us.

A3. ELIGIBLE PROPERTIES - TYPES

Most 1-4 family properties are eligible for VA appraisal. (Note: If you receive a request to appraise a property with more than 4 units call us for guidance). Properties fall into one of the following three category types:

1. EXISTING CONSTRUCTION

These are 1-4 family dwellings for which the improvements have been completed for at least one year, or completed less than one year and previously owner-occupied.

Appraisals are based upon an inspection of the dwelling, and completed either "As-Is" or "Subject To" completion (of VA MPR repair items). Please provide both the estimated cost and contributory value of repairs. This is also needed on liquidation cases on the liquidation addendum, even though the liquidation report is completed "as-is."

If extensive remodeling is to be done, then you may request additional information.
(See Section C6 - Renovations).

2. NEW CONSTRUCTION (Appraised from Inspection as Existing)

These are 1-4 family dwellings less than one year old, never owner-occupied, and complete to at least the Customer Preference stage. Customer Preference items (such as carpet, appliances and some trim items) are typically selected by the purchaser.

All exterior work should be complete except for items (such as incomplete exterior painting or landscaping) delayed due to weather or other circumstances beyond the control of the builder.

Lenders are responsible to determine if a new construction property is ready for appraisal. When you inspect the property and determine otherwise, notify the lender and VA so that the case can be cancelled. You may bill the lender for an inspection fee.

Otherwise, complete your inspection of the subject and prepare the appraisal "as is" (if complete) or "subject to" completion of the remaining items. List any remaining completion items, along with the cost to do each item.

An appraisal report completed "per plans and specifications" is unacceptable in these cases.

3. PROPOSED CONSTRUCTION (Appraised from Plan Set or Inspection of Model)

These are 1-4 family dwellings where construction has not started, or are under construction but not yet complete to the Customer Preference stage (as for New Construction, above). The appraisal is completed "per plans and specifications", or from inspection of a model of the same plan type where no plan set is provided.

Upon inspection, you may determine that the appraisal could be completed as New construction instead (i.e. without the use of the plans and specifications or inspection of the model). Complete the appraisal as requested UNLESS the lender gives you permission to change. Note in your report if this happens. (See Section C3)

4. COMMON INTEREST COMMUNITIES (PUD's, Condominium's, OTHER)

Condominiums require VA (or FHA) approval prior to Loan Guaranty. PUD's and other developments having mandatory HOA fees no longer require VA approval. Lenders are responsible to determine that these projects meet VA requirements.

Complete the appraisal regardless of agency (i.e. FHA or VA) approval status.

Always report mandatory HOA fees (i.e. lien supported). Per the revised URAR, complete the PUD section on the form when the Developer is in Control of the HOA and the unit is attached.

A4. MINIMUM PROPERTY REQUIREMENTS (MPR'S)

1. PROPERTY CONSTRAINTS and PERSPECTIVE

VA has no specific property constraints regarding dwelling size, room counts, acreage, quallity of construction or repair of specific code violations.

In Existing and New Construction the primary objective is that the property be ***Safe, Sound and Sanitary,*** and meet the livability requirements necessary for the market area where it is located.

In Proposed Construction the objective is to ensure that the dwelling is constructed according to applicable building codes, Federal regulations and HUD guidelines.

MPR's include both requirements and guidelines. Guidelines can be interpreted differently from one area to another. For example, a good supply of water for a rural property may be a private well, but a city property should have public water.

A property is not eligible for appraisal unless there is a reasonable likelihood that it can meet VA Minimum Property Requirements. If you inspect a property (or review plans) and determine otherwise then reject it. Notify the lender and give your reason(s) why.

2. MPR's for EXISTING and NEW CONSTRUCTION

a. Property Access

Access to the Site: Each property must have access from a public or private street. The street must have an all-weather surface.

Private streets must be protected by permanent easement and maintained by an HOA or joint maintenance agreement.

Access to the Unit and Rear Yard: The unit must have access without passing through another unit. Each living unit must be able to be used and maintained individually without trespass upon adjoining properties. Required easements must run with the land.

Rear yard must have access without passing through any other living unit. For a row-type dwelling, the access may be by means of alley, easement, passage through the dwelling, or other acceptable means.

Access for Wall Maintenance: There must be adequate space between buildings to permit maintenance of the exterior walls.

b. Property Characteristics

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

Use: The use must be primarily residential. If a portion of the property has non-residential use, it must not impair the residential character of the property or exceed 25% of the total gross floor area. Provide total square feet of commercial use and total square feet of residential use.

Living Area and Facilities: Each unit must have sanitary facilities and enough space to assure suitable living, sleeping, cooking and dining.

Laundry, storage, heating and other facilities may be shared in 2-4 unit buildings.

Utilities: Utilities (water, sewer, gas, electricity) must be independent for each unit. Several units under one owner may share utilities if there are separate shutoffs.
Individual utilities must not cross another unit unless there is permanent legal right of access for repair and maintenance.

Units under separate ownership may share common utilities (such as shared well) provided that the connections are protected by easement or covenant and (that) there is an acceptable recorded maintenance agreement.

Mechanical Systems: Mechanical systems must be safe to operate, be protected from destructive elements, be of adequate capacity and quality, and have reasonable future utility.

Heat: Heat must be adequate for healthful and comfortable living conditions. If wood-burning stove is primary heat source then there must also be a conventional system that will maintain at least a 50 degree temperature in the plumbing areas.

Unvented Space Heaters or Fireplace (non-electric) – Please advise us in your report if the subject has an unvented space heater or fireplace, and condition the report for a statement from an HVAC contractor that the item is equipped with an approved Oxygen Depletion Sensor, and either meets local building authority or was installed according to manufacturer's recommendations. This statement should be provided to you on the final inspection.

If Solar system is primary heat/hot water source then there must be a "backup" system which will provide equivalent (100%) utility.

Electricity: Each unit must have adequate electricity for lighting and necessary equipment.

Water and Wells: Each unit must have a continuing supply of potable (drinkable) water along with domestic hot water. Connection to public water is required whenever feasible.

Water quality from an individual water supply must meet the requirements of the local health authority. If no local health authority then EPA guidelines apply. Water must be potable from the source, independent of any individual treatment system.

A shared well must be capable of producing adequate water for each property simultaneously. There must be a permanent easement to allow access for maintenance and repair. There must be a recorded well-sharing agreement which provides for repair and maintenance of the system.

A Community Well must be sufficient for the project and water quality must be approved by local or State Health Officials.

Health department approved cisterns will be accepted when public water is not available and when safe, potable water cannot be obtained from drilled wells.

Sanitary Facilities, Sewage and Septic: Each unit must have sanitary facilities and a safe method of sewage disposal. Connection to public sewer is required whenever feasible.

Individual and Community sewage disposal systems must operate properly.

Pit privies are permitted where they are customary *and* are the only feasible means of disposal. They must be installed in a manner recommended by the local health authority. If there are no local health authority requirements then U.S. Public Health Service requirements apply.

Roof: The roof must prevent the entrance of moisture and provide reasonable future utility, durability and economy of maintenance. All old shingles must be removed if a defective roof has three or more layers.

Ventilation: There must be sufficient natural ventilation in areas such as attics and crawl spaces to minimize the effects of excess heat and moisture.

Crawl Space: The crawl space must have adequate access, be properly vented and clear of all debris. Excessive dampness or ponding of water must be corrected.

Floor joists must be high enough to allow access for maintenance and repairs of ductwork and plumbing.

Party Walls: A party wall constructed at the property line must extend the full height of the building (foundation to roof ridge). The wall may separate semi-detached or row units.

c. Defective Conditions

Site: The site must be properly graded to provide positive drainage (away from the dwelling), and to prevent water from ponding. Ground cover must be stabilized to prevent erosion.

Improvements: Any condition impairing the safety, sanitation or structural soundness of the property must be corrected so that the probability of further damage is eliminated.

Some of these conditions include defective construction, poor workmanship, evidence of continuing settlement, excessive dampness, leakage, decay and termites.

Specific examples of common problems include rotted exterior wood trim, peeling paint, roof leaks, broken windows, plumbing leaks and exposed electric wiring. Other examples include damage caused by infestation, fungus growth or dry rot.

Lead-Based and Defective Paint**:** Defective paint (cracking, scaling, peeling, chipping or loose) on homes built prior to 1978 will be considered lead based and must be corrected. Defective paint on homes built after 1978 should be corrected only if it poses a threat to the security of the improvements. (See also Section B7).

d. Other Hazards

Onsite**:** The property must be free of hazards (such as subsidence or flood or erosion problems) which may adversely affect the health and safety of the occupants, the structural soundness of the improvements, or which may impair the customary use and enjoyment of the property by the occupants.

Handrails: Handrails having a minimum and maximum height of 30 inches and 38 inches (762 mm and 965 mm) respectively measured vertically from the nosing of the treads, shall be provided on at least one side of stairways of three or more risers or based on local code.

Guardrails: Porches, balconies and raised floor surfaces located more that 30 inches (762 mm) above the floor or grade below shall have guardrails not less than 36 inches (914 mm) in height. Open sides of stairs with a total rise of more than 30 inches (762 mm) above the floor or grade below shall have guardrails not less than 34 inches (864 mm) in height measured vertically from the nosing of the treads.

Offsite**:** *High Voltage Electric Transmission Lines and Gas and Petroleum Pipelines:* The dwelling structure must be located outside of the easement area(s). Other onsite improvements can be located in the easement area(s).

If a Proposed Construction Dwelling is located outside the Pipeline easement but less than 220 yards away from the centerline, additional conditions apply.

3. MPR's for PROPOSED CONSTRUCTION

a. Building Codes

All State, County or Local Building Codes apply. If there are none, then VA MPR's are the applicable provisions of the current CABO One and Two Family Dwelling Code.

b. Federal Regulations

The *Construction Requirements* in 24 Code of Federal Regulations (CFR) 200.926d apply.

If no local building code(s) then the Supplemental Information for Use with CABO One and Two Family Code in 24 CFR 200.926e also applies.

c. HUD Guidelines

Standards and practices as recommended in HUD Land Planning Handbooks 4140.1, 4140.2 and 4140.3 apply.

Suitable construction methods and materials as referenced in HUD engineering bulletins also apply.

A5. LENDER APPRAISAL PROCESSING PROGRAM (LAPP)

1. THE LAPP PROGRAM

In most cases involving an origination loan, the lender has been delegated the authority to review appraisal reports and determine the reasonable value of properties for VA. These cases are processed under the Lender Appraisal Processing Program (LAPP).

To determine if you have received a VA LAPP case, look for the word "LAP" next to the VA case number in the upper right hand section of the Appraisal Request form (VA Form 26-1805).

2. ELIGIBLE PROPERTIES UNDER LAPP

All properties eligible for new VA financing may be processed by LAPP Staff Appraisal Reviewers (SAR's). This includes appraisal requests for: 1-4 family dwellings, condos, manufactured (mobile) homes and modular housing. Construction may be existing, new, or proposed.

Other request types are ineligible for LAPP (i.e. Project Appraisals/Master Certificates of Reasonable Value, liquidation appraisals, partial releases and values based upon HUD conditional commitments).

3. APPRAISER/LENDER COOPERATION

The LAPP program and Conventional Loan programs are similar. The LAPP lender has a VA approved SAR, who completes the appraisal review and underwriting.

SAR's should contact you directly when they need clarification, correction, or additional value support. If you are contacted by someone else about information contained in the appraisal, refer them to the SAR.

If the SAR still has concerns about the appraisal after contacting you, they will usually contact us next. We will attempt to resolve any issues in the report. In some instances we may request additional information from you.

<u>We expect both you and the SAR to exhibit proper conduct and cooperation</u>. Failure by *either* party to do so may lead to administrative action taken by us.

4. CHANGE OF VALUE by LAPP LENDER (SAR)

Recent changes to policy now prohibit the Lenders SAR from issuing the VA Notice of Value for an amount other than the appraised value. In cases where the SAR has concerns over a value other than the appraised value, you will be contacted for assistance.
(See Sections B5, B13).

A6. SERVICER'S LOSS MITIGATION PROGRAM (SLMP)

1. SLMP and the SERVICER'S ROLE

The Servicer's Loss Mitigation Program (SLMP) provides for early intervention by the loan servicer to try to prevent a foreclosure from taking place.

2. APPRAISAL REQUESTS (LGI or SAP)

This is a foreclosure appraisal request. The Appraisal Request form (26-1805) should indicate LGI in the upper right hand section, but MAY also indicate "SLMP" in the Name and Address section. Complete the report in accordance with Liquidation Appraisal instructions (Section C4)

A7. VA PORTFOLIO LOANS

1. VA IS THE LENDER

VA is the lender ("vendee"), either for foreclosure properties which were financed by VA at the time of sale or for cases where the lender is refunded (paid off by VA). In a refunding, VA readjusts the loan to terms more favorable to the Veteran. Currently, Vendor Resource Management services these VA Portfolio loans.

2. THE APPRAISAL REQUEST

This is a foreclosure appraisal request. Appraisal requests will show "LPL" in the upper right section of the form and the lender (servicer) is Vendor Resource Management. Complete the report in accordance with Liquidation Appraisal instructions (Section C4).

A8. SERVICER APPRAISAL PROCESSING PROGRAM (SAPP)

The SAP Program is essentially the same as the LAP program except that it is for liquidation appraisals.

A9. VA OVERSIGHT AND DISCIPLINARY ACTION

1. VA OVERSIGHT

As you are our representative in the field, we are responsible for monitoring your *Performance* and *Conduct*.

We monitor and record your Performance by doing:

- Field Reviews**:** We currently Field Review 10% (or more) of your appraisal assignments. Our emphasis is on accurate report information and disclosure of all pertinent valuation factors.

- Desk Audits**:** We desk audit additional reports in conjunction with our review of lender Staff Appraisal Reviewers (SAR's) under the Lender Appraisal Processing Program (LAPP). We emphasize a properly completed report, compliance with VA guidelines, a supportable value, acceptable report exhibits, and timeliness.

- Other Reviews**:** The above reviews are in addition to appraisal reports that we review for purposes of issuing a Notice of Value (NOV).

We monitor your Conduct by:

- Investigating complaints and other concerns we receive about you. These may consist of problems such as poor cooperation, a hostile attitude, or conflict of interest. You are always contacted when we intend to keep a written record.

2. DISCIPLINARY ACTION

Disciplinary action is based on the problem and is intended (to the extent possible) to promote correction of the deficiency or behavior. A *continuing pattern* of the same problem will call for a higher (more severe) level of action by us.

Action we may take includes:

- Written Admonishment**:** A letter we send you which indicates the deficiency and (if necessary) the corrective measure(s) to take.

The deficiency may be either an error in the report, or a "late" report, or both. The deficiency may be considered as *non-substantive*, or *substantive.* A substantive finding by us means there is an error of 10% or more in the valuation.

- Counseling: We conduct an informal meeting with you to discuss the problem(s). The focus is on resolving the problem(s), and *expectations*, rather than additional disciplinary action.

  Counseling is not disciplinary action per se, but is mentioned because it may be part of a process to initiate subsequent (more serious) disciplinary action later on.

- Additional Field Reviews**:** We field review a greater percentage of your reports, typically for a 12-month period. We do this to verify that previous significant errors have been corrected.

- Reduced Assignments**:** We may temporarily reduce the number of assignments you receive (usually 60 days maximum). On a longer-term basis we may adjust your area of coverage for us, which could reduce the number of assignments you receive.

- Limited Denial of Participation (LDP)**:** We remove you from participation as a VA appraiser (i.e. no assignments) for up to one year. An LDP applies only to our jurisdiction.

- Debarment and Suspension**:** We remove you from participation in all Federal non-procurement programs, unless specified differently.

  Suspensions may last up to 18 months. Debarment may last for three years.

  If an LDP, Debarment or Suspension is being considered*, you are entitled to a hearing (with representation) to present evidence as to why it should be removed.*

SECTION B: APPRAISAL AND INSPECTION GUIDELINES

B1. GENERAL APPRAISAL STANDARDS

1. DEFINITION OF VALUE

The definition of value used by VA is *"That figure which represents the amount a reputable 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".* VA considers reasonable value and market value to be synonymous.

The VA definition of market value is consistent with that used by Fannie Mae (FNMA), Freddie Mac (FHLMC) and the major appraisal organizations. That definition directs appraisers to *"determine the most probable price which a property should bring, or for which the appraised property should sell in a competitive market, under all conditions requisite to a fair sale, with the buyer and seller acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus".*

2. USPAP

The appraisal should be completed in accordance with all current USPAP standards, using the correct appraisal form as previously noted. The appraisal report may be either a Self-Contained or a Summary report. Additional VA report requirements are given below.

3. USE OF APPRAISAL SOFTWARE

We will accept software-generated appraisal forms that increase sections of the form to allow for expanded narrative comments. The expansion must leave the Sales Comparison Section intact (not separated across pages) and the sequence of information must remain in the same order.

B2. RECEIVING AN ASSIGNMENT

1. ORIGINATION APPRAISAL REQUESTS

A completed VA Form 26-1805, (Appraisal Request Form) is forwarded directly to you (via email) from the WebLGY system immediately upon assignment. You can also access your work assignments via the Appraiser page in WebLGY. You should check this daily for new assignments. The lender is not required to provide a copy since you have immediate access to the order.

Note: Occasionally, WebLGY will not forward the email notification. The burden is on the appraiser to check for appraisal requests.

If the requestor desires a lengthy delay before proceeding (ex. new construction case) consult with our office by e-mail.

The request form will specify the case as IND or LAP in the upper right section.

For a Proposed Construction case, the lender should also either provide you with a full plan set, or a copy of the purchase contract plus a memo to inspect a model. (See Section C3)

The lender must provide a copy of the contract if the property is a purchase. If no contract is provided by the close of business the next day you need to hold the assignment and advise the requester and the VA.

We strongly recommend that you check for pending assignments (in WebLGY) to verify that you are receiving all applicable requests

2. LIQUIDATION APPRAISAL REQUESTS

Liquidation appraisal requests use the same appraisal request form as above, and will indicate "LGI" or "LPL" or "SAP" in the upper right corner. SLMP cases (as noted in the Name/Address section) are always liquidation appraisals. (See Section C4)

For condominium liquidation reports, you only need the Appraisal Request Form.

3. REINSPECTION REQUESTS

Obtain, from the lender (LAPP cases) or VA (IND cases), a copy of the Notification of Value Letter (NOV). You should be identified as the inspector on the form. The NOV letter can be used as authorization for billing purposes.

The repairs may have been changed somewhat from what you specified in your appraisal report. This is because the repairs were amended, clarified or considered as unnecessary (not VA MPR) by the SAR or Staff Appraiser. Inspect the repairs as given. The appraiser does not have the authority to waive conditions added by the SAR or Staff Appraiser. The waiver process must be complied with by the lender and processed by VA staff. If you have questions or concerns then contact us or the lender SAR.

B3. INSPECTING THE PROPERTY

Inspect the property in a manner consistent with accepted appraisal practice, and in a manner consistent with the market (i.e. a typical purchaser).

You are not expected to enter attics or crawl spaces. However, you should look inside each for evidence of deterioration, fire damage, moisture, insulation, structural problems or roof leaks.

When there is evidence of functional problems (due to layout, room size or other) then show the problem in the appraisal report via sketch or other means. Note any external problems (such as busy street nearby) and you may, as an option, use additional photographs as a means to show the problem.

B4. PREPARING THE APPRAISAL REPORT (URAR)

1. FILE NUMBER

Put the VA case number from the appraisal request form onto the upper right hand corner of the appraisal form and on all addendum pages. Place the VA case number directly above the "File No." space on the front page if you use a separate file number.

2. SUBJECT SECTION: BORROWER, CLIENT, and ADDRESS INFORMATION

Borrower: State the Veteran's name. (Note: for Liquidation reports the borrower is N/A.) Per VA Circular 26-11-14, effective January 1, 2012.

Lender/Client: State the Lender's name + "VA" or Dept. of Veterans Affairs. "VA" is acceptable since it is widely recognized and there are space limitations in the field. Per VA Circular 26-11-14, effective January 1, 2012.

Address: State the Lender's mailing address in all reports. Effictive per VA Circular 26-11-14, effective January 1, 2012.

(Note): The Property Owner's name should be on the report, even if the owner is a Veteran.

3. NEIGHBORHOOD SECTION: MARKETING and TRENDING INFORMATION

NOTE: THE REPORT MUST ACCURATELY REFLECT MARKET CONDITIONS, INCLUDING ANY TREND(S). THIS INCLUDES MARKETS WHERE PRICES (AND VALUES) ARE INCREASING OR DECREASING. THE SALES ANALYSIS MUST BE PROPERLY SUPPORTED AND CONSISTENT WITH THE DESCRIPTION OF THE MARKET CONDITIONS.

You should include the following review as part of your market analysis:

Listings, contract offers and unsettled sales: Review and analyze such data to determine if market conditions have changed between the dates of the comparable sales and the date of the appraisal report.

For new and proposed construction properties located in new developments, analyze builder's closed sales and competitive project sales, along with sales of any similar existing properties to determine if there are any price changes and/or sales concessions.

For all reports, the report should include this certification (in the Neighborhood section or addendum):

"I have considered relevant competitive listings and/or contract offerings in performing this appraisal".

Other Certification: I have or have not appraised this property within the last 3 years, and there is or is not a conflict of interest.

Sales or Financing Concessions: The report should include discussion of the prevalence of financing concessions (such as interest rate buy downs, inclusion of non-realty items, seller payment of closing costs etc).

If any of the comparable sales has such concessions, then report the value impact (if any).
In doing so, consider:

- That the impact can vary with locale.
- That the impact is based on market reaction, and not on the actual cost.

Housing Supply and Demand

The report should include discussion of the typical sale price/list price ratio for the market area. Use your judgment to estimate this ratio if it cannot be determined from available data sources.

Marketing Time and Trend

The report should include discussion of the extent of any change (increase or decrease) in the average marketing time (listing period) for the market area. (Example: "In the last three months, the listing period has decreased from 180 to 90 days.")

If there is no significant change in the marketing time then state such.

When there is a significant trend change, include an addendum comparing relevant data to the subject property. Use the typical format for liquidation appraisal reports (Section C4.5)

Note: Maintain all necessary marketing and trend information in your appraisal file.

The appraisal must include a completed FNMA Addendum 1004MC.

4. SITE SECTION

- Water and Sewer**:** For private wells, report if the well is shared or located off of the subject site. On new construction note if the well is new or existing.

  For individual septic systems, note ANY signs of malfunction.

  For properties having private well and septic*, if you believe or know public utilities are available to the site, then provide a comment.*

- Streets and Drives**:** Note whether the street is public or private, and whether the service drive is private or shared.

- Flood Zone Information**:**

  All Cases: Use the FEMA Flood Map to specify the Flood Zone (A, B, C) where the improvements are located to the best of your ability and judgment as an appraiser.

  If there is no Flood Map data then state such. If you are unable to determine the flood zone; then state this in the appraisal report, explain why, and leave the zone blank.

Note: It is the lenders responsibility to verify whether or not flood insurance is required. Therefore, make no recommendations or requirements concerning surveys or flood certifications.

Notify the requestor that the property is ineligible for VA appraisal (and cancel the request) if you are aware that it is subject to regular flooding (*regardless of Flood Map data*) or if it is located in Zone "A" or "V" and flood insurance is not available.

New and Proposed Construction cases: Notify the requestor that the property is ineligible for VA appraisal (and cancel the request) if you determine that the lowest floor is *below* the base Flood Level (Zone "A").

- Airport Noise Zones: If other than noise Zone 1, indicate the noise zone and DNL. (see Section C6, pt 1 for noise zone reference)

5. COST APPROACH SECTION

The Cost Approach is not required unless unusual circumstances dictate (such as total absence of comparable sales or a very unique property).

Include a site value in the report **ONLY** when you choose to provide a completed cost approach. (NOTE: VA has no requirements on minimum or maximum land-to-value ratio).

Do provide:

- Gross Living Area: Show GLA calculations unless they are elsewhere in the report.

- Remaining Economic Life (REL): Provide an estimate of the maximum REL of the improvements. This must be one number; it cannot be a range. If the maximum estimate is less than 30 years then explain why, as the loan term is adjusted to the REL if less than 30 years. For Condo appraisals put the REL estimate in the Reconciliation Section.

- Appraisal Receipt and Upload Dates: We monitor your turnaround time based upon the date you receive the appraisal request and the date you first attempt to upload the appraisal (to WebLGY).

  While not required, *if you show the date you received the appraisal request and the date of your first attempt to upload the appraisal to WebLGY, we will base your turnaround time on those dates. If none provided, then we will base your turnaround time on the assignment date from WebLGY and the upload date from WebLGY.*

  On the Condo form, put the receipt date/upload dates in the Project Analysis section or the Reconciliation section. On the 2-4 Family Income form use the cost section.

6. PUD SECTION (URAR)

Complete if applicable, i.e. if the developer is in control of the HOA and the unit is attached.

7. SALES COMPARISON ANALYSIS SECTION

Selection of Comparable Data: All comparable sales must be settled sales.

In verifying sales you may use a single source if you have written confirmation of the sale (such as an MLS sheet, HUD-1 or public record). If you do not have written confirmation (or if your data source does not confirm or verify the sales data) then use additional sources to obtain verification.

Explain the use of comparable sales located outside of what would be consideredthe subject's market area. Include additional sales data and/or supplemental narrative comments when the sales data does not lend itself to typical comparison.

Explain the use of comparable sales over twelve months old. In rapidly changing markets, it is possible that even more recent sales (6-12 months old) could beconsidered outdated and you should comment accordingly. A "mix" of VA, FHA and Conventional sales are encouraged whenever possible.

Avoid terms such as "typical", "average", or "equivalent" in the sales analysis. Instead, properly describe each item.

Indicate the proximity of the comparable sales as distance and direction (ex: 4 blocks west or 5 miles SE).

- Adjustments: All adjustments must be based upon market reaction, and not just "dollar for dollar," or "builder costs", or some other criteria.

  Explain or clarify large or unusual adjustments, especially those for time, financing or condition.

  For new housing, if you adjust for options, then provide a separate list of the options for each property and the value for each item. When the variance between properties is minimal, provide at least a list of the options for each property and "lump sum" cost.

  There is no VA requirement for maximum gross or net adjustments. However; explain large overall adjustments and why the choice of comparable sales.

- Selecting a Value: Select a value estimate from within the range of indicated values provided by the analysis of the comparable sales.

8. INCOME APPROACH SECTION

The use of the Income Approach is not required for single-family properties, unless rental properties and sales to absentee owners (i.e. investors) are a significant part of the market activity.

9. RECONCILIATION SECTION

- Final Value Estimate**:** Rely on the value selected from the Direct Sales Comparison Approach except in very unusual circumstances.

Any finding by us that your analysis is not based upon recognized appraisal practices, and was intended to "meet" or "accommodate" the sales price will cause the report to be unacceptable and you will be subject to disciplinary action.

- Conditions of Appraisal**:** When the report is completed "Subject to" any items, the "Conditions of Appraisal" line should specify those items *or* provide a reference as to where they are included in the report.

  Avoid use of the checkbox ( ) which refers to: "the extraordinary assumption....that the (defect) does not require repair."

  In Proposed Construction cases, if the report is based on inspection of a model then leave all the checkboxes "blank".

(Note: Foreclosure/Liquidation reports are always completed "as-is", even if repairs are required) Please provide the cost and contributory value of repairs on the liquidation addendum – see example on page 53.

10. SIGNATURE

You must sign the report as the Appraiser, not as Review Appraiser. An electronic/digital signature is acceptable, as long as you have control of affixing it. Follow USPAP guidelines concerning e-signatures. (See also Section A2.4 concerning assistance in preparing the report)

B5: VALUATIONS BELOW THE CONTRACT PRICE

If you determine that the final value estimate will be less than the contract price, then do the following BEFORE you complete and send the appraisal report:

- Check the Appraisal Request form (VA Form 26-1805) in block 30 for a Point of Contact (POC). If none indicated then contact the requestor (at the bottom of the form). Advise that individual **ONLY** that you are requesting any additional data that they (or the buyer/seller/agents) can provide, to ensure that you have considered all pertinent information. *You should AVOID any discussion of the value estimate.*

- The POC or requestor will have two workdays to respond.

- Additional information (if any) sent to you should be in a format similar to the comparable sales grid (i.e. page 2 of the URAR) including verification of the sale. When pending sales contracts are submitted (especially to support time adjustments) they must be complete with all addendums attached. A narrative should be included describing the similarities and differences between the pending sale(s) and the subject property.

- Review and analyze all data submitted, then complete your final report based upon your finding.

  If you are able to increase the value estimate to meet or exceed the sale price, then comment to the extent of this process used and the (extra) time needed.

- *If the final value estimate is still less than the contract price even after review of additional information, then comment on the source of the additional information, what was provided, the results of your review and analysis, and the (extra) time needed.*

  See also Reconsiderations of Value (Section B13).

B6. APPRAISAL REQUIREMENTS FOR MPR ITEMS

1. OVERVIEW

Recommend only those repairs needed to make the property conform to VA Minimum Property Requirements (MPR's).

In Existing Construction, the most common MPR repairs are for maintenance needed to prevent "continued deterioration of the improvements", such as deteriorated exterior walls and trim, roof leaks, damp basements, water in crawl space, and exterior painting.

Typical safety items include missing handrails, porch/deck rails and safety bars (for sliding glass doors). Typical sanitary problems include defective septic systems, water in the crawl space and plumbing leaks.

Cosmetic repairs are not required, so consider them in the overall condition rating and valuation of the property. (For cosmetic repairs *specified in a purchase contract,* see Section C6 - Contract Repairs).

Avoid repairs for minor code violations, such as for defective (or missing) smoke detectors, radon detectors, CO2 monitors, bath fans, etc.

A property is ineligible for appraisal (for new VA loan) if you consider the repairs to be so extensive that the property likely cannot be corrected to meet MPR's. Call us for guidance if necessary; otherwise reject the property and notify the lender. You may charge for an inspection fee.

If you receive a third party inspection report in the normal course of business (i.e. a Home Inspection report) – AND – the reported defects include VA MPR items, then include those items in the appraisal report.

2. REPORTING MPR ITEMS

List each repair item (or completion item if new property) in the appraisal report along with an estimated cost & contributory value to complete that item. Be as specific as possible so that repairs (and repair costs) reflect only the work that is needed. Explain the reason for any repairs that are not obvious.
Sometimes a problem is evident but the cause is not, or is beyond your expertise. Examples include wet basements and plumbing/heating/electrical problems which can have several possible causes. You should describe the problem and require that it be corrected.

Avoid a recommendation for roofing, heating, plumbing or electrical certifications. If there is any question as to the condition of these systems, state the reason. Recommend correction of obvious defects. Otherwise, we will determine the specific requirements based on your comments.

For serious functional or structural problems such as foundation settlement or wall cracks that appear to need correction, recommend a structural engineer's inspection/report which addresses the specific problem.

If final site work for a new house is incomplete, require specifically that the builder "stabilize the ground cover". Stabilizing the ground cover means, that upon completion of all site work, there will be proper drainage and no areas of erosion or ponding.

Usually this is completed by grading and seeding. In some cases this is insufficient (due to severe slopes or poor soil conditions) and grass or sod is needed. If you reinspect the site work, consider each site individually.

B7. REPORTING DEFECTIVE PAINT REPAIRS

1. Basis (Lead-Based Paint) and Corrective Measures

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. We do not require testing of the paint. Therefore:

> For homes built up to 1977, assume that *any* defective paint condition (involving cracking, scaling, chipping, peeling, or loose paint) on any interior or exterior surface involves lead-based paint. *Identify the location of the condition(s), and require correction.*

For homes built after 1977, require correction on exterior surfaces only if the defect appears to be sufficient to cause deterioration if left untreated (i.e. a violation of VA Minimum Property Requirements). Otherwise; the defect may be considered as cosmetic and considered in the analysis for condition.

Interior paint on houses built after 1977 should be considered a cosmetic issue.

B8. APPRAISAL EXHIBITS and COPIES

1. PHOTOGRAPHS

- Provide a front and rear view of the dwelling (preferably including an opposite-side view in each photo) and street scene photo. If proposed construction and no work completed then provide site and street scene photos only.

Per VA Circular 26-11-21, dated 12/15/11 and Effective 1/1/2012 – the following additional photos are required:

Kitchen, all bathrooms, main living area, and examples of physical deterioration if present. Examples of recent upgrades such as: restoration, remodeling and renovation, if present. Photos of any improvement, site feature, or view affecting value (i.e. water view, eyesores, commercial property, etc.). A Copy of photographs from an MLS service are acceptable, but report must contain an explanation why original photos are not available (such as gated communities where access may require trespass to photograph, etc.)

- Provide a front view of each comparable. Take at an angle if possible. In condos more than three units high, you may omit photographs of the comparables IF they are located in the same project as (and substantially identical to) the subject property.

- Include photographs of in-ground pools, and outbuildings (barns, other) as applicable.

- Computer-generated pictures are acceptable, if they are of comparable quality to original photographs. Copies of multiple listing service or advertising pictures are acceptable for the comparables (but **not** the subject) if they clearly depict the property.

PER VA CIRCULAR 26-11-14, EFFECTIVE 1/1/2012, ALL REPORTS MUST BE UAD COMPLIANT.

2. LOCATION MAP

Include the location of the subject property, the comparable sales, and the comparable listings (if applicable). Use a map scale consistent with the overall proximity of the properties (i.e. close-up scale for urban properties, wider scale for rural properties). Show the proximity of significant positive or negative factors. If an adequate map cannot be obtained, provide narrative directions to subject and comparables.

3. IMPROVEMENTS SKETCH

The sketch should show the perimeter of the dwelling and measurements for each side. Show the room layout in all cases where interior access is gained. Labeling the room location is sufficient; an interior sketch defining the walls is not required.

If the upper level is different from the first level then show separately with measurements and room layout.

If there is functional obsolescence from the floor plan, then include sufficient information to visualize the problem.

Show the Gross Living Area (GLA) calculations unless they are elsewhere in the report.

4. CERTIFICATION STATEMENT

Include a completed (signed) Certification Statement (FNMA Form 1004B) with each report.

Any additional certification which are required State law or by an appraisal organization which you belong to are also acceptable provided that they do not conflict with any VA policy.

5. Copy of the Agreement of Sale

Copy of Sales Agreement must be uploaded to the WebLGY portal by appraiser if Lender does not upload the report at the time the order is placed.

B9. PREPARING REINSPECTION REPORTS

Obtain a copy of the NOV Letter from the lender to determine the items to be inspected. Do not use your appraisal, because in some cases repair items are modified by us (or the LAPP lender's SAR or VA staff) to better reflect how the repairs or completion items should be treated. Contact us and/or the LAPP lender if you have a concern about the required repairs.

Re-Inspection reports should be completed using your own letterhead. VA or other forms are not required (Do not use the VA Form 26-1839, this form is for proposed construction compliance inspections only). Your memo should indicate that all (or some but not all) repairs or completion items are satisfactorily completed. You may charge a fee for any additional inspections requested.

B10. SENDING THE APPRAISAL/INSPECTION REPORT

1. APPRAISAL REPORTS - WHAT TO SUBMIT

Furnish the complete appraisal report (the report form, certifications, pictures, sketch and location maps, and a copy of the agreement of sale). The VA Appraisal Request Form may be omitted. The invoice must also be included. This may help with payments.

2. APPRAISAL REPORTS – HOW TO SUBMIT

Electronic Format: Submit an electronic copy of each VA appraisal report you complete.

Single PDF File: Submit one file only, in PDF format.

Although the GSE's are requiring appraisals in the .xml format, VA is not yet able to accept the xml format, and will continue to use the .pdf format. We anticipate a change to allow use of the xml format. You will be informed if the change takes place.

E-storage: Log onto the WebLGY Appraiser Page: http://vip.vba.va.gov. Then go to the Applications Section (left side of screen), select the case number, and follow the steps to upload a copy of the report to that database. Use the complete VA case number at the prompt including the hyphens AND .pdf (Example: 14-14-6-0123456.pdf). You do NOT use your email to complete this process.

Upon receipt, the WebLGY database will interface with lenders WebLGY page in a manner that will allow VA and lender SAR's to determine that the appraisal is available for review.

If WebLGY is not working, a lender or VA may request that you send a report copy via email (e.g. to insure a timely closing). Email the report as requested and upload a copy to WebLGY when it is back online. If you have questions on this, call our office.

3. APPRAISAL REPORT – FILE SIZE

The following will help to reduce file size:

Camera Settings: Use "better"(medium) for picture quality and "standard"(low) resolution.

Scanner Settings (if used): Should be capable of 100 DPI (especially for maps, which may require a higher DPI depending on the source). Use Black and White (vs. Color) setting. Turn off any automatic features.

4. INSPECTION REPORTS – HOW TO SUBMIT

Inspection Reports should be forwarded directly to the lender or sponsor who requested it. Send in most appropriate manner (typically fax or email). Do not send copies of inspection reports to VA or save them to WebLGY.

B11. REVIEW OF THE APPRAISAL REPORT

1. ORIGINATION REPORTS

VA staff or the LAPP lender's SAR will review the appraisal report. If reviewed by VA then upon completion we will issue "Notice of Value" (NOV) utilizing WebLGY. If it's a LAPP case, the SAR completes the review and issues the NOV. The SAR can print the report from WebLGY when necessary.

The NOV Letter indicates the final Reasonable Value assigned to the property, along with the property requirements needed to be completed. These requirements include MPR repair/completion items and other items. A copy of the NOV is sent to the veteran.

2. LIQUIDATION REPORTS

VA or the SLMP Servicer (LGI cases) will review the appraisal. On LPL cases the appraisal will be reviewed by Vendor Resource Management. The users will download a hardcopy of the report from WebLGY when necessary.

3. ADDITIONAL INFORMATION (NON – VALUE ISSUES)

You may be contacted to get clarification or additional information. Any additional information should be prepared in the most suitable way to resolve the problem, and emailed or faxed as necessary. In many cases a brief letter or email memo will suffice.

Generally, discuss the appraisal report only with the appropriate appraisal reviewer - either someone in the Construction and Valuation Section at VA, or the LAPP lender's SAR or the SLMP Loan Servicer. Refer questions (other than status inquiries) by Loan Officers or Loan Processors to the appropriate

appraisal reviewer (or us). If the appraisal is below the contact price then you may advise them of the appeal process. (See Section B13)

If you determine that a correction or amendment to the appraisal report is necessary, then resubmit (upload) a complete report with all changes into the WebLGY database.

B12. FEE INVOICES

Send the invoice/statement for the appraisal fee to the lender or sponsor whose address is on the Appraisal Request Form. For Portfolio Loan (LPL) cases forward your invoice to Vendor Resource Management. You must also upload the invoice with the appraisal. (See Section A7.3)

Inspection fees should be collected from the lender/sponsor which made the request. Note that occasionally the origin of the inspection request (especially the office location) may differ from the office location of the lender/sponsor who requested the appraisal.

B13. APPEALS (RECONSIDERATION OF VALUE)

1. WHO MAY APPEAL

An appeal occurs *after* your original report has been submitted. Any party involved in the transaction (lender/agent/buyer/seller) may request an appeal of the appraised value.

The request for appeal and any supplemental information is forwarded to us (or the LAPP lender SAR) for review. Additional comparable sales and other market data are not required, but such data may be helpful in supporting the reconsideration request.

Either VA or the SAR will first try to reconcile all of the information into a final value estimate.

LAPP lender SAR's may no longer change the final value by up to 5%. Larger changes (over 10%) require a VA field review and decision OR Appraiser Assistance.

2. APPRAISER ASSISTANCE

Regardless of the increase amount requested, you may be contacted for assistance by either VA or the lender's SAR. You may receive additional comparable sales data for review. The preferred format is a "grid" format similar to the URAR, including verification of the sale. Use of pending sales to support a time adjustment is acceptable, provided that you receive the entire contract(s) and are able to generate an analysis of the sale(s).

3. REPORT OF FINDINGS

Your recommendations are reviewed by VA or the SAR and are subject to change. Therefore, limit your discussions of the appeal of value to VA staff or the SAR.

Use one of the following methods to report your findings:

<u>No Changes to Original Report</u>: If you determine that the additional sales are unsuitable, or less suitable than those included in the appraisal report, then provide a brief written explanation as to why (e.g. sales farther away/too old/not as similar etc) and return to the requestor.

If you analyze additional sales data and determine that no value change is supported AND you are not going to incorporate any of the data into your original appraisal report, then provide a written response to the requestor along with your analysis.

Changes to Original Report: If you do make changes, then you must either

•Submit a new report with all attachments (with no reference to the original report) OR:

- Submit a new report with reference to the original or prior report. If you do this, then follow USPAP Advisory Opinion AO-3 regarding reference information.
- SUBMIT the revised report in the same manner as done for the original. (See Section B10)

4. TIMELINESS

In your response (or revised report), show the date that the information was received in your office. Submit responses within 5 workdays of receipt.

5. ADDITIONAL FEES

Additional fees are not allowable if the report is corrected due to errors, omissions, or when you did not use the best market data.

Additional fees are allowable if the additional sales submitted for appeal were settled after the date of the appraisal. We consider this to be a re-appraisal of the property. You and the lender should first attempt to establish a suitable fee. Contact us if there is a fee issue.

SECTION C: SPECIAL APPRAISAL ISSUES

C1. CONDOMINIUMS

1. APPRAISAL REQUEST INFORMATION

Origination Reports: Review condo budget and other related info if provided with the appraisal request (or during the normal course of business). Otherwise, complete the appraisal report and indicate what documents (if any) were provided.

Liquidation Reports: You should receive *only* the appraisal request.

2. APPRAISAL REQUIREMENTS

All cases: Use the FNMA 1073 Condominium Appraisal Form. Remaining Economic Life should be placed in the Reconciliation Section of the form. Also include your "date request received" and "date uploaded" info in this section or the Project Analysis section (See Section B4.5). Report any KNOWN pending litigation.

Origination Reports: In the Project Analysis section discuss any inadequacy in the budget (if budget info provided) or condo fee, and provide a recommended (market) condo fee if the current fee is inadequate.

Liquidation Reports: In the Project Analysis Section, provide any information that is immediately available to you. Otherwise indicate "not available" or "unknown."

3. COMPARABLE SALES

New Construction: Builder sales within the same project are acceptable if marketability has been established (i.e. sales activity and values clearly established).

Existing Construction: Sales of other units within the project is acceptable provided they are re-sales by individuals other than the Builder.

Comparable sales in other competitive projects are also acceptable. Such data must be properly analyzed for items such as quality and appeal, unit location, project amenities and terms of sale.

C2. INCOME PROPERTIES (2-4 Units)

Use the FNMA Small Residential Income appraisal form (FNMA Form 1025). *You may omit the Supplemental Income/Expense form.*

You must provide the Income Approach to value. The rental figure used must be realistic (market derived) for the subject property because this income may be used to help qualify the Veteran for the loan.

Indicate source(s) of rental information. Use income property sales as appropriate. Include GRM analysis sheet in the report.

If market conditions are not changing significantly you may provide the VA Certification concerning listings and contract offerings in lieu of the listing grid information on page one of the form. (See Section B4 - neighborhood)

C3. PROPOSED CONSTRUCTION CASES

1. USE PLAN SET OR INSPECT MODEL

Appraisal reports for proposed construction cases may be completed either from use of a plan set (see below) OR from inspection of a model unit. The appraisal request will specify which approach to use.

INSPECT MODEL: The appraisal request will include a note stating "APPRAISAL FROM MODEL HOME". No plans will be provided, but *a complete copy of the sales contract* must be provided to you.

In previewing the model, it must be: fully completed, the same plan type, located in the same market area and readily accessible. Provide a sketch (and GLA calculations) based on the model.

In the comments section of the report (bottom page 1) include the statement:

> *"Appraisal from Model Home. Value based on inspection of model, same plan type as subject. Construction to be completed per contract dated _____".*

In the Reconciliation Section, check no boxes. Refer the reader to the above statement.

USE PLAN SET:

The appraisal request should include a set of appraisal exhibits as listed below. If you don't receive all of the exhibits but have enough to do the appraisal, then complete the appraisal and send it.

a. Contract: Lender must provide.

b. Building Site: If Vet owns the site (or is buying separately) then review evidence of purchase and any unpaid balance.

c. Plot Plan: Including location of well and septic if applicable.

d. Description of Materials: VA Form 26-1852 or other standard format. Should specify make and model of large appliances, heating and hot water equipment, and any other special or upgrade items. No "or equals". *Builder and Vet both sign the DOM's.*

e. Building Plans: Items crossed out that do not apply, and/or items identified that do apply. Reduced size drawings (no smaller than 8.5 x 11) are acceptable, but must be clear and readable. Plans must show all exterior elevations, foundation and basement, floor plans, and sectional wall details.

f. Plan Certification: A technically qualified individual (as determined by builder) must include this certification with the construction exhibits:

"I certify that these construction exhibits meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 CABO Model Energy Code and the requirement for Lead-Free water piping."

The HUD Form 92541 (Builder's Certification of Plans, Specification and Site) may be used instead of the above certification.

g. HUD Structural Engineering Bulletin (If applicable): If the property includes a modular Home then include either evidence of coverage by a HUD structural engineering bulletin, or a certification of approval by the State in which the unit is fabricated. This requirement will be made a condition of the VA value notice if not submitted with the appraisal request.

h. Soil Stability Certification (If applicable): In areas having history of geological or soil instability, there must be a builder cert stating that to the best of the builder's knowledge and belief:

- Any geological or soil related hazard has been compensated for in the engineering design of the improvements and (that)
- no portion of the construction will rest on fill (dirt).

In lieu of the builder cert there must be evidence from a qualified geologist or engineer to show that:

- The subject site does not present unusual geologic soils-related hazards,
- OR such hazards have been compensated for in the engineering design of the improvements.

Qualified geologists are State licensed or are a member of a national or State organization which requires responsibility, experience, education and demonstrated ability in the field of engineering geology.

Provide the sketch and GLA calculations from the plans. *In all cases, the plans and specifications, as provided, are controlling.* If you discover variances between the plans and any onsite construction in place, contact us for instructions. If there are significant differences we will require that you be provided with a set of revised plans.

The appraisal is completed "Subject to" the Plans and Specifications. Provide the following additional certification with your appraisal:

"I hereby certify that the information contained in the exhibits identified herein was used to arrive at the estimate of reasonable value noted in this report."

Identify the Plans_____

Identify Specifications_____

Identify Plot Plan_____

Identify Any Other_____

_____
Signature

C4. LIQUIDATION / DEFAULT CASES

1. INSPECTING OCCUPIED PROPERTIES

You must make up to three reasonable attempts to gain interior access, unless access is gained on the first or second attempt. Attempts can include telephone calls to the owner and personal visits to the property. Your attempts should be done at various times to allow a reasonable chance of finding the owner or occupant at home.

When the property is occupied, you can do an "exterior only" appraisal if:

- You have been refused entry by the owner or occupants; or,
- Access is considered by you to present a hazard; or
- You have made at least one appointment, which was broken; or
- Three or more attempts to visit the property or call the number(s) provided with the liquidation appraisal request have resulted in no access.
- The request is not a Special Interior Inspection Case (see Item 3 below).

When interior access is not gained, make reasonable efforts to verify what the interior of the property is like. Make reasonable assumptions about the interior once all other means of verification have been exhausted. (Note) All attempts and report should be uploaded in 5 business days.

2. INSPECTING VACANT PROPERTIES

When the property is vacant, you must gain interior access (unless local laws prevent this).

Therefore, notify the requester to properly secure the property and to provide you access. Then notify us via email to our general mailbox (cv.vbaroa@va.gov) that you are waiting for access. The subject line of the email should have the VA case number and state "Access Problems".

Requestors have been instructed to rekey the locks to a VA Master key - the same as the one given to you by us.

Since some delay is likely, your turnaround time is "on hold" until interior access is provided unless we request that you provide a report (even if you did not gain entry).

3. SPECIAL INTERIOR INSPECTION CASES

If the Liquidation appraisal request indicates that the case is a "VA Refunding" or a "Compromise Sale" or a "Deed in Lieu of Foreclosure", then *you must gain interior access, whether vacant or not.* The Veteran/owner should be cooperative, as he or she is notified that you must be granted interior access in order to determine if the option under review is feasible.

4. APPRAISAL REQUIREMENTS

When interior access is gained, use the FNMA 1004 report form. When interior access is not gained, use the FNMA 2055/FHLMC 2055 "exterior only" report form.

Foreclosure properties are always appraised "as-is", even if MPR and/or cosmetic repairs are needed. In all cases provide market value, not "quick sale" value or any other type of value.

To the extent appropriate, select comparable sales and listing/pending data that represent typical market transactions. Even if the subject property needs significant repairs, a sale in the immediate area but in better condition may (after adjustments) be a better indicator of value than a sale from a different area that also needs repairs. Avoid sales to investors unless they represent typical market activity.

For "exterior only" cases, if you are unable to measure the house (and do sketch) then explain reason and provide the data source used for gross living area used in the report.

5. ADDENDUM INFORMATION

A liquidation addendum must be included in the report. We recommend you use the format as shown in the addenda section (Section E); however, a computer generated form is acceptable. Include the following supplemental information.

- Evidence of at least three reasonable attempts to gain entry (not needed if access gained). Include date, time, phone (or personal visit), name of contact, and comments as appropriate. Include lender contacts when appropriate.

  For vacant properties state when the key or other means of access was provided. State whether the property is vacant or occupied, and secured or not.

- If tenant occupied, then to the extent possible provide the occupant's name and any rental information the tenant(s) will provide you (such as period of occupancy, lease terms and expiration date, monthly rental and when due, and to whom payable).

- Provide an itemized list of repairs (both MPR and non-MPR/cosmetic), plus an estimated cost to complete each item and the contributory value added. When necessary, you may "lump together" some repair items to get a total single contributory value. Remember that cost does not always equal value.

  MPR items, if any, are always required to be listed. Non-MPR (cosmetic) items are based upon your opinion of any other work which, if completed, would make the property readily marketable in the neighborhood.

There should be a logical correlation between the analysis of the Cost/Contributory Value items and the adjustment shown for "Condition" on the appraisal.

List separately any emergency repairs required, such as repairs necessary to protect the property from vandalism or cold weather, or repairs immediate repairs needed to correct major problems (flooded basement, roof/plumbing leaks etc.). If major problems exist then contact us.

- Provide an analysis of at least three competitive listings or pending contracts. At a minimum, the data must include:

  Property address, and proximity to the subject (distance and direction)

  Design/style, room count and gross living area, and age

  Current price (or contract amount, if available), price changes since listed, and days on the market (DOM)

  Comments as to how the property compares to the subject. Your analysis should be sufficient to show that the listing or pending sale is either superior, similar or inferior to the subject.

  You may provide this data in the form of an MLS printout, supplemented by comments on any remaining information that is required above. Or, you may instead choose to "grid" the listing or pending sale data (in a manner similar to relocation appraisals) and then comment on the remaining information. If you are using a pending contract on a new house, identify all options and other variations from the base model.

  It is possible that listings may provide a better indication of current prices than settled sales. This is especially true for declining markets, where listings may be offered at lower prices than recent similar sales. If you determine that this is the case, then your final value estimate must reflect the influence of current listings, and not just the value indicated by the settled sales.

- Provide any relevant comments in the addendum not included elsewhere in the report.

6. SCOPE of WORK PROVISION

All USPAP and VA appraisal guidelines apply, except when you cannot inspect the interior.

When you complete the appraisal without doing an interior inspection, you may adjust the Scope of Work by including a comment in the report which references Item 2 on the Certification Page, and states that no interior inspection was done per client guidelines.

C5. MANUFACTURED (MOBILE) HOMES

1. ELIGIBILITY FOR APPRAISAL

Mobile Homes are eligible for appraisal and long-term VA financing, provided that:

- The improvements constitute *real property* (improved real estate) and not chattel property. If necessary, verify with the local authority having property tax jurisdiction (typically the county) the manner in which the improvements are assessed (i.e. real or personal property).

- The location of the Mobile Home on the lot is not a violation of zoning laws or other local requirements.

2. EXISTING M.H. CONSTRUCTION

The property is considered as existing if the Mobile Home is on site and affixed to a permanent foundation.

The foundation must be acceptable to the building authority having jurisdiction and must be constructed to withstand support loads and wind loads. If you have doubts about the acceptability of the foundation (especially if there are no local requirements) you may recommend an inspection by a registered professional engineer.

Existing Mobile Homes are appraised in the same manner as for other Existing Construction, subject to VA MPR's. (See Section A4)

3. PROPOSED M.H. CONSTRUCTION

The property is Proposed Construction if either the foundation is incomplete, or the unit has not yet been installed AND cannot be inspected. *The Manufactured Home can be new or used.*

If used, the Home unit must be inspected even if it is not yet installed. Obtain at least a foundation or installation plan set for appraisal purposes. The foundation must be acceptable in the same manner as for Existing M.H. Construction (above).

If the unit is new AND unavailable for inspection, then obtain a Plan Set which includes the floor plan layout, exterior dimensions, elevations, and foundation plan. Obtain specifications which address/include all standard items, supported by information on any options or upgrades.

The appraisal is subject to VA MPR's for Proposed Construction. (See Section A4)

The Proposed Construction Certification applies. (See Section C3)

4. APPRAISAL REPORT AND ANALYSIS

Use the FNMA 1004C report form. Indicate that the mobile home is on a permanent foundation. Provide the make, model, serial number, length, width, and square footage of the manufactured unit, if available.

Give careful consideration to the remaining economic life (REL) of the improvements. Mobile Homes typically do not have the life expectancy of other housing types. *Clarify or explain when the REL is less than 30 years.* When the REL is less than 30 years, the loan term is reduced to the same period.

C6. SPECIAL PROPERTY PROBLEMS

1. AIRPORT NOISE ZONES

a. Property Eligibility: Is based on the *Airport Noise Zone.*

Airport Noise Zone	CNR (Composite Noise Rating)	NEF (Noise Exposure Forecast)	DNL (Day/Night Ave Sound Level)
1	Under 100	Under 30	Under 65
2	100-115	30-40	65-75
3	Over 115	Over 40	Over 75
Clear	At end of runway		
Accident Potential	Beyond the Clear Zone		

Zone 1**:** All properties (Existing/New/Proposed) are eligible. (Most common Zone)

Zone 2**:** Existing and New Construction properties are eligible. Proposed Construction is eligible provided that Sound Attenuation features are built into the dwelling so that the *DNL Sound Level is 45 decibels or less.* Contact us if you cannot determine this from the plans or other information provided.

Zone 3**:** Existing and New Construction properties are eligible. Proposed Construction is not eligible unless the project was first accepted by VA and then the Noise Zone contours were subsequently changed, in which case Zone 2 applies.

Clear**:** Existing and New Construction properties are eligible. Proposed Construction is not eligible.

Accident Potential**:** Existing and New Construction properties are eligible. Proposed Construction is eligible *if the project is consistent with the recommendations of the airport's Air Installation Compatible Use Zone (AICUZ) Report.* We have AICUZ information on file at this office. Contact us if you need it.

b. Report Requirements:

If a property is ineligible (i.e. no appraisal) then notify the requestor. For eligible properties located in any Zone other than Zone 1, report the noise zone and DNL for the subject property in the site section of the URAR.

The appraisal must include a consideration of the value impact of the proximity to the airport. Comparable sales must reflect market acceptance of the neighborhood.

2. COASTAL BARRIER RESOURCES SYSTEM(CBRS)

The CBRS is based on maps covering Virginia and Maryland, which are designed to identify areas of land that are subject to significant problems caused by proximity to water.

When applicable, determine if the property is located in an affected area (included within the solid heavy black lines on the maps). If so then you must reject the property outright.

You can obtain maps by contacting the U. S. Geological Survey, Distribution Branch, Open Files Services Section, Box 25425, Denver CO. 80225

3. COMMERCIAL / RESIDENTIAL COMBINATIONS

Reject the property if the commercial use exceeds 25% of the total floor area. Otherwise, describe and analyze the condition. The appraisal report should include zoning information and a description of the use of adjoining properties. Photos should include commercial uses if in immediate area. Indicate both commercial and residential square footage.

4. COMMON/PARTY WALLS AND ZERO LOT LINES

If a property has a common wall with an adjoining property, then report this condition. If the dwelling is constructed at or near the lot line, then report this condition along with a recommendation, if necessary, regarding the need for an access easement (to allow for maintenance and repair to the subject exterior). Each living unit must be capable of individual maintenance and must be accessible without trespass.

5. CONTRACT REPAIRS

If there are Non-MPR repair items in the purchase contract, you may need to require that they be completed. This is the case if (a) the items are described adequately and (b) they have impact on the appraised value.

For example, you may review a purchase contract which requires that the seller install new carpet prior to settlement, even though you would not require new carpet as an MPR repair item. The property value is probably impacted by the new carpet.

You may complete your appraisal report "subject to" the completion of those contract repair items you give value to in your report. List separately, (from MPR items) as contract items, along with an estimated cost to complete each item. A completion inspection is required.

6. EXTRA LOTS OR LARGE PARCELS

There is no specific limit on overall land or site size, or on the inclusion of additional lots as long as the whole parcel is contiguous and conveyed (i.e. encumbered) as a single entity. There should be a history of this conveyance under common ownership (i.e. no attempt to assemble parcels). Contact this office for assistance with other situations.

The valuation for entire land/site package should be reasonable (i.e. market), based upon the legal use(s) of the property and the motivation(s) a typical buyer and seller would have in making the transaction. Contact us for assistance in unusual cases. (See also Item 7 below, Farm Residences).

7. FARM RESIDENCES and OUTBUILDINGS

Although VA does not make farm or other business loans, veteran may purchase a farm property (house and land) for *residential* (i.e. non-income) use.

For VA purposes there is no contributory value for livestock, crops or farm equipment and supplies. Outbuildings (barn, other) and other supplementary facilities (such as an irrigation well) must be valued on the basis of their contribution to the residential use of the property.
(See also Item 6 above, Extra Lots or Large Parcels)

8. FLUCTUATING MARKETS (CONSTRUCTION COSTS)

Changes (increases) in costs do not necessarily result in changes in market value, since the market typically does not buy properties based only on a property's reproduction or replacement cost. Market

adjustments to comparable sales must be based on the market reaction to the condition, and not (based) on the cost changes alone.

9. GROUND RENTS (Maryland)

Leasehold sales must be converted to fee simple in the "Grid" analysis section. The cap rate is 6% (established by the State of Maryland, not market-derived).

The indicated values from the comparable sales are all shown in fee simple, and a market value is selected. If the subject is a leasehold sale, then the selected market value is converted from fee simple into a leasehold amount. (Deduct the amount determined by capitalizing the annual ground rent of the subject property at 6%).

10. HIGH PRESSURE GAS/LIQUID PETROLEUM TRANSMISSION LINES and HIGH VOLTAGE ELECTRIC TRANSMISSION LINES

A property is eligible for appraisal when the house and any attachments (garage, breezeway, deck) are outside of the transmission line easement area. If eligible for appraisal, then any other on-site improvements which are in (or partially in) the easement area cannot receive any value. If ineligible then notify the requestor.

When necessary, you may request a copy of a survey, and/or plat map to determine the location of any such easement areas relative to the subject property.

For Gas and LP lines, if the house and attachments are/will be located outside of the easement area but within a distance of 220 yards of the centerline of the transmission line, disclose this in your appraisal report. Additional conditions are required by VA that must be cleared by the lender prior to loan guaranty.

11. PARTIAL RELEASES

In some instances, we may request limited information from you. For a full appraisal, we will send you a letter of request for an appraisal, along with a survey and/or plat maps which will show the portion(s) of the property to be severed.

The report should include: the value of the whole property before ("As-Is"), the value of the parcel to be released, and the value of the remainder property after the "taking".

We will coordinate with you to determine a suitable fee for the assignment.

12. PERSONAL PROPERTY (Appliances, Pools, Other)

Equipment items which are considered necessary, usual and customary by the typical family and which contribute to livability are acceptable for valuation. These are typically include large household appliances (such as range, refrigerator, washer and dryer, built-in microwave).

Items considered to be personal cannot be included for valuation. These typically include easily removable items such as blenders, mixers, furniture, loose rugs and drapes.
Some items will require your judgment, such as wall or window air conditioning units, light fixtures, satellite dishes and above-ground pools. As a guide, note the manner in which the item is attached or installed.

A larger item such as an above-ground pool with extensive decking that has been reasonably permanently installed and which would typically convey with the property should be considered for valuation.

Also, you can use the purchase contract and/or the appraisal request as a guide to determine what is being purchased.

13. RENOVATIONS and REMODELING

Some alterations (such as a new enclosed porch under construction on a resale property) may require that you review plans and specifications, or contractor bid proposal, or some other accurate listing of the changes to be made.

If you discover this problem then contact us. We will obtain the information needed and forward it to you. Prepare the appraisal "subject to" the information we provide you. When such modifications exceed $3500 in cost, you must provide both an "as-is" and an "as-completed" value.

14. UNDERGROUND FUEL STORAGE TANKS

If you observe a potential environmental problem (such as an abandoned or leaking tank)) or are aware of local, state or federal law that requires the removal or other correction of an underground storage tank then specify correction of the problem "according to any local, state or Federal requirements".

SECTION D: MASTER COMMITTEE APPRAISALS AND MASTER CERTIFICATES REASONABLE VALUE (MCRV'S)

1. WHAT A MASTER COMMITTEE APPRAISAL IS

A Master Committee appraisal report is one where the values apply to more than one property in a new development.

You provide an appraisal report for each "base" model, a value for the individual site premiums (if any) and values for the unit options. When a unit goes under contract, all of the predetermined individual values (base + site premium + options) are added up to determine the maximum value of that property for VA.

The Master Appraisal is usually completed based upon Plans and Specifications (Proposed Construction). On rare occasions, we may ask you to prepare a report on a Condominium Conversion project (as existing construction) where full plan sets are not necessary.

2. THE APPRAISAL ASSIGNMENT

MCRV assignments are not subject to an "automatic" rotation of appraisers. We attempt to rotate them on a case by case basis from a smaller pool of appraisers. This is because:

- Not every appraiser on our roster is interested in performing this kind of work, and
- Of the remainder, we select only from those appraisers whose quality of work and turnaround times are exemplary.

Depending upon the number of lots and model types, we may assign more than one appraiser to help complete the report. We do this when the builder wants to try to sell a large number of units (typically over 100) in a given year or season. Values can be critical when the builder wants to do volume sales.

If more than one appraiser is needed, then one of you will be designated the *Chairman* (of the Committee) and will be responsible for completion of the final appraisal report. The fee is adjusted (for two appraisers) accordingly, per below.

3. EXHIBITS USED

All of the information needed to complete a Master Committee report is sent to you by us. Review all of the exhibits for completeness, including:

- A letter containing Building Program Information, which includes the total units to be built, total units in the phase under construction, and start/completion dates. Other information includes Public Works provisions and any special assessments.

- An appraisal request form for each basic model.

- Plans and specifications for each model type. If plan sets are reduced size then they should (still) be clear and readable. Plans must show all exterior elevations, foundation and basement, floor plans, and sectional wall details.

  Specifications should show make/model for large appliances and heating and hot water equipment for each base model. No "Or equals".

- Site Plats (or Condo unit plats) locating each site or unit to be included.
- A worksheet set (VA Form 26-1843b) which includes a complete listing of all of the individual models, lots and options to be valued.

- If Modular Construction, evidence of coverage by a HUD Structural Engineering Bulletin or a certification of approval by the state in which the unit is fabricated.

- If Condominium, a set of Organizational Documents for your review.

4. REVIEWING THE PLAN SETS and FIELD WORK

Complete your review of the exhibits and your onsite inspection. Check for any discrepancy between the plans sets and information obtained onsite.

One possible problem might be that the "show" models as built might not agree with what the plans indicate is to be built. A more common problem is when the base model(s) from the plans don't agree with the base model(s) as described in the builder's *Sales/Marketing Information* (for example, 1 bath standard Vs 2, or other discrepancies in standard Vs optional items). If this happens then contact us for assistance.

You will need to become familiar with other projects to determine competing marketing conditions. If marketability of the subject project has not yet been established (i.e. the project is just opening up for the first time and sales are limited), you *must* review other competing projects for sales data. Do not use the very first sales in a brand new development as comparables! They may be low sales to stimulate activity, or high sales by the builder containing "sale and leaseback" provisions or other concessions.

Your field work should be sufficient to allow you to:

- Prepare an individual appraisal on each model type, and to

- Provide a value for each lot, site premium and option, and to

- Prepare a narrative report which includes the information described below.

5. ESTABLISHING THE VALUES

- Model Types: Provide an appraisal for each model type, using the guidelines for Individual Proposed Construction. (See Section C3)

  Include only the standard features for the "base" model, and a typical "base" site value. Deduct the value of options contained in the Comparable Sales.

  For apartment-style condominiums use the "benchmark" model (the least favorable location in the project) as a base for each model type.

  Include the appraisal certification (regarding the exhibits used) for Individual Proposed Construction appraisals, *unless the units are condominiums.* For Proposed Condominium appraisals include the following certification:

  "I hereby certify that the information contained in the plans, specifications and all condominium organizational documents have been employed in arriving at the estimate of reasonable value noted in the appraisal report."

  For Condominium Conversion Projects also see below.

  Once the appraisals are completed, put the value of each base model on the appropriate VA worksheet page (containing information on the standard models) under column 9, "Appraised Value".

- Individual Sites: On the VA worksheets (where the individual sites are listed) indicate the market value for the base site. You only need to indicate the base value *once,* on the first page of individual site listings (under "Appraised Value" Column 10). You may omit this process for apartment-style condominiums.

  You do not need to provide an individual site appraisal, but your base site value on the worksheet should be consistent with that shown on the URAR in the Cost Approach section.

  The VA worksheets may also specify lots requiring a site premium (such as for view or woods at rear). Based upon your project inspection, adjust the worksheets to specify those sites that in your opinion deserve a premium, *regardless of what was requested.* You may adjust the value (dollar) amount up or down, or give no value at all. Put the adjusted site value (if any) in column 10 of the VA worksheet for each applicable site. If the premium is requested as an "option", then show the value amount in column 17 and specify as necessary which sites are eligible.

  For apartment-style condominiums, the value difference for each level (if any) is usually considered as a unit option and not a site premium.

- Options: On the VA worksheets, review all of the individual buyer options and establish a market value for each item. If, in your opinion, the item does not contribute any additional value to the property than indicate "no value" or NV. Put your value in column 17 of the worksheet.

  You may use a Cost Service Manual as a guide, but any value should be based upon all available market-derived information, such as data from other builders and local store prices.

  The VA worksheet set is now completed. Please initial and date each page.

6. THE NARRATIVE SUPPLEMENT

You must provide a Narrative Supplement in addition to the completed VA worksheets and the individual appraisal reports. If necessary, provide extra photographs to help explain or show pertinent factors. Per next page, include a discussion of:

The market area: If not already on the individual appraisal report(s) then discuss availability of amenities (schools, churches, shopping, employment, recreation and transportation), plus other relevant economic factors.

The Project: Include development stage, estimated completion, sales history, onsite and offsite improvements, overall conformity, market appeal.

The project site: Include topography, utilities, zoning and restrictions. Denote influences or hazards such as flooding, aircraft noise, traffic and other conditions.

Competing projects: Include styles, price ranges, total units and absorption rates.

Individual Site Values: Comment on how you determined individual site values.

Amendments or corrections: Discuss any changes or corrections you made to the Worksheets. For example, if you adjusted the sites which are to receive a premium then briefly discuss why. If you adjusted a standard item to an option (or vice versa) then mention why.

Relationship to Master HOA/PUD: If applicable, then comment on the master HOA development and status, the common area, the required fees, and the impact of the organizational documents (if any).

Relationship to Master Condominium Regime: If applicable then review the organizational documents and provide a *Project Review.* Include your analysis of the proposed budget, monthly assessment(s), and the percent ownership interests. Also describe the benchmark unit(s). Y*ou may receive an additional fee for the Project Review in accordance with the Fee Schedule Guidelines in Section D11 below.*

7. CONDOMINIUM CONVERSION PROJECTS

For purposes of simplicity and uniformity, we usually require that the developer refurbish or renovate each unit and building to a minimum common standard. Once a base standard is established, the units and other options and upgrades can be appraised.

To the extent applicable, we will send you the documentation described above. We will also send you architectural and/or engineering statements concerning the relative condition of most of the major components of each building (structure, roof, elevators, heating and cooling, plumbing and electrical).

In conjunction with the above directions, explain in the Narrative Supplement what conversion work is to be done.

In the Condominium Project Review, discuss the adequacy of the condo fee and the budget and operating reserves relative to the condition of the project. For example, a low condominium fee (and/or low budget reserves) may be inadequate if only minor cosmetic work is being done in the project while other deferred maintenance still remains. Use the same certification as for Existing Condominiums. (Section C1)

Note that t*here is most likely a significant value difference between units that are renovated and units that are just cosmetically refurbished.* Your report and analysis should reflect this.

8. THE COMPLETED MASTER REPORT

Your completed Master Report should consist of an individual appraisal report for each model (one original/one copy), a Narrative Summary (one original), the completed VA Worksheets (one set) and the Condominium Project Review if applicable.

Sign and date the Organizational Documents set (if we sent them to you) on the inside front cover. Send your Master Report to us, along with any Organizational Documents.
If you need a set of the Condominium Documents we will make a copy set for you. *Keep the plans and other exhibits for your files.*

Do not discuss your Master Report with the lender or sponsor, because upon review we may amend the Report. Once our review is complete we will issue a Master Certificate of Reasonable Value (MCRV) which contains all of the final values for the units, sites and options, plus the requirements and conditions which the lender has to fulfill for Loan Guaranty purposes

We then forward the MCRV to the lender or sponsor, along with a copy of your appraisal for each model type.

9. VALUE APPEALS

Any disputes or requests for reconsideration of value must come to us first. Appeals of value for the model types are usually resolved in the same way as for individual appraisals. Appeals of the option values are usually resolved by us, although we may contact you for assistance.

10. CONSTRUCTION INSPECTIONS

We assign regular VA Compliance Inspectors (rather than appraisers) for this purpose. Their role is not only to determine if the unit is completed, but done so in accordance with the plans and specifications used to establish the appraised values.

11. THE APPRAISAL FEE

Calculate the Fee as follows:

Fee per Model Type x Number of Models x Number of Appraisers =
Fee per Lot (Unit) x Number of Lots (Units) =
Fee per Option x Number of Options = _____
Total = $

Use the Following Fee Amounts:

	Model Type	Lot /Unit	Option	PROJECT FEES (Condo's)
VA, WV	350	10	10	none
MD	350	5	10	300
DC	350	10	10	varies**
KY	275*	10	no fee	300

*In KY, use the base fee as provided for in Section A1.5
**In DC the Project Fee varies (from 400 – 1250). Contact us for correct amount.

SECTION E: ADDITIONAL INFORMATION AND ADDENDUMS

1. COMMON ABBREVIATIONS

A/C	Air Conditioned	EBB	Electric Baseboard
ALM	Aluminum	EFWA	Electric Force Warm Air
A/D/H	Alum/ Double / Hung	HDWD	Hardwood
APT	Apartment	HP	Heat Pump
Aprx	Approximately	Inc	Included
ASPH	Asphalt	Ind.	Industrial
ASUM	Assumption	Irr	Irregular
Atch	Attached	Kpp	Knotty Pine Paneled
AWN	Awning Window	Ldscp	Landscape
BSMT	Basement	Lge	Large
BLK	Block	L & P	Lathe & Plaster
BRK	Brick	Lvl	Level
B / I	Built In	Min	Minimum
Cab	Cabinet	Mod	Modern
CAC	Central Air Conditioned	Mtg	Mortgage
CP T	Carpet	Neigh	Neighborhood
C/P	Carport	N / I	Not Included
C1A	Carport 1 attached	NV	No Value
C2A	Carport 2 attached	OFF	Oil Floor Furnace
C1D	Carport 1 detached	OFHW	Oil Force Hot Water
C2D	Carport 2 detached	OH	Over Hang
CIV	Considered In Value	OSH	Oil Space Heater
C / L	Center Line	OWF	Oil Wall Furnace
C / T	Ceramic Tile	OSS	Outside Storage
COL	Colonial	Pnl	Paneled
COMB	Combination	Parq	Parquet
COMM	Commercial	Pymt	Payment
Conc	Concrete	Prch	Porch
Cond	Condition	PITI	Principal Interest Taxes Insurance
Condo	Condominium	P / L	Property Line
Const	Construction	PP	Personal Property
Cont.	Contemporary	PUD	Planned Unit Development
Conv.	Conventional	Rec	Recreation
Cov.	Covered	Res	Residential
CU L	Cul - de- sac	RM	Room
CSMT	Casement Windows	ROG	Room Over Garage
DCK	Deck	RH	Raised Hearth
DET	Detached	Schl	School
DN	Down	Scrn	Screened
DW	Drywall	SFR	Single Family Residence
Elec	Electric	Stco	Stucco
ENCL	Enclosed	ST	Street
ENTR	Entrance	S /D	Subdivision
EQPT	Equipped	STG	Storage
FHA	Fed. Housing Admin	STW&DRS	Storm windows & doors
FmHA	Farmers Home Admin	Trans.	Transportation
Fin	Finished	UROG	Unfinished rm over garage
FP	Fireplace	Util	Utilities
Flr	Floor	V	Value

FR	Frame
Frntg	Frontage
GAR	Garage
G1A	Garage 1 attached
G2A	Garage 2 attached
G1D	Garage 1 detached
G2D	Garage 2 detached
G1Bi	Garage 1 Built in
GFF	Gas Floor Furnace
GFWA	Gas Force Warm Air
GSW	Gas Hot Water
GSH	Gas Space Heater
GWF	Gas Wall Furnace
HC	Hollow Core
VHDA	Va Housing Dev Authority
W /D/H	Wood Double Hung
WoBay	Walk -out Bay
WIC	Walk In Closet
WSI	Wood Siding
WS	Wood Stove
W / U	Walk Up
WWCPT	Wall to wall carpet
WC	Washer Connection
WSCT	Wainscot

2. LIQUIDATION APPRAISAL ADDENDUM EXAMPLE:

ATTEMPTS TO GAIN ENTRY:

- (Occupied Property Example) Called owner, Mr. Smith at 000-5900 on 6/17. Agreed to meet me at property on 6/19, but was not home. Reached Mr. Smith on 6/20, now refuses to let me gain interior access. Visited property on 6/21. Looked through windows on sides, interior looks to be well maintained, in spite of exterior deferred maintenance, with exception of kitchen floor covering.

- (Vacant Property Example) Local servicing agent access information noted on VA form 26-1805 not correct, called holder on 6/17 (Access mortgage, 000-555-2222, Mr. Entry). Advised keys would be sent. Received keys on 6/23, wrong ones. Call Mr. Entry 6/23, correct keys received on 6/28. Assignment completed 6/29.

OCCUPANCY:

- PROPERTY IS _____OCCUPIED _____VACANT _____SECURED? (Y/N)

REPAIRS NEEDED:

Repair/Cosmetic Items	Estimated Cost to Cure	Estimated Contributory Value
1. Paint all exterior trim	$ 1,200	$ 1,500
2. Roof shingles worn, at end of life, replace,	$ 3,000	$ 2,000
3. Downspouts and splash blocks missing at all corners	$ 400	*
4. Several pieces of siding on north side are wind damaged and bent away from dwelling	$ 300	*
5. Storm door glass is broken	$ 100	*
6. Clean up debris in rear (old deck material, boxes , couch)	$ 100	*
7. Install new carpet	$ 1,200	$ 2,000
8. Paint Interior	$ 1,500	$ 2,500
TOTALS	$ 7,800	$ 8,500

- These items together are considered to have a $500 effect on value.

EMERGENCY REPAIRS NEEDED:
(None)

COMPETITIVE LISTINGS and/or PENDING CONTRACTS:

1. 8 Pickett St., Garden City, 6 blocks from subject

   Ranch on slab, 6/4/2 1400 SF (+), 20 years, listed at $67,500 Ray Homes, reduced from $69,500 on 5/1, on market 60 days. Very competitive with subject, has additional bath but no garage or deck, exterior condition superior).

2. 31 Baker St., Garden City, 2 blocks

   (See attached MLS card and photo), on market 90 days at $59,500. Newer ranch, 8 yrs, very similar to subject in design and layout but in much inferior condition, sale by local bank, represents lower end for subject.

3. 14 Whitney Ave., Hamilton, 10 blocks

Ranch on slab, 6/5/1, 1600 SF ($\pm$), 15 years, current contract pending @ $65,000, Wenham Homes. On market 120 days, original listing at $75,000.

Same basic style as subject, garage converted to 5th bedroom. (Location in adjacent town is of no impact - same school and water / sanitary district).