

**New Appraisal Review Requirements and Instructions Regarding Department of Veterans Affairs Appraisal Management Service for the Lender Appraisal Processing Program and the Servicer Appraisal Processing Program Staff Appraisal Reviewers**

1. Purpose. The purpose of this Circular is to announce the Department of Veterans Affairs (VA) automated Appraisal Management Service (AMS) for use in enhancing the appraisal review process prior to issuance of the Notice of Value (NOV). AMS will provide Lender Appraisal Processing Program (LAPP) and Servicer Appraisal Processing Program (SAPP) Staff Appraisal Reviewers (SARs) assistance in quickly assessing appraisal risk for property eligibility, VA policy compliance violation, over/under-valuation, and appraisal quality issues.

2. Currently, every appraisal report made for VA purposes must be reviewed by either VA staff or the LAPP/SAPP SAR prior to issuance of the NOV. During a review, SARs ensure that VA requirements are met, and may find inconsistencies with the submitted information. If these inconsistencies go unaddressed, SARs may perform research to verify or clarify the data. This research often involves internet searches, the use of real estate databases such as the Multiple Listing Service (MLS), performing mathematical calculations, and contact with the appraiser.

a. To improve oversight, standardize the appraisal review process, and increase efficiency through better access to market data, VA's contractor, CoreLogic, provided VA with AMS that includes the LoanSafe Appraisal Manager (LSAM) product.

b. On June 1, 2014, VA and CoreLogic launched LSAM as a pilot program for VA Staff to use in the appraisal review process. The pilot program was instituted to better understand the integration between CoreLogic and VA systems while providing VA staff an opportunity to view and comment on LSAM before it became mandatory for VA staff use on November 3, 2014.

c. Since LSAM's mandatory use, VA staff have been using it in the review process for VA-issued NOVs, reconsideration of value cases, and 20 percent loss cases. As a VA risk management tool, LSAM will be made available to LAPP/SAPP SARs as of the effective date of this Circular.

3. Appraisal Format. Since June 1, 2014, all VA appraisals are required to be uploaded in WebLGY in Mortgage Industry Standards Maintenance Organization (MISMO) compliant 2.6 Extensible Markup Language (XML) file format including an embedded portable document format (PDF) file. See [Circular 26-14-11](#) for background on the XML file format.

a. In order to improve timeliness, if an appraiser is unable to upload an XML file due to VA system error, SARs or VA staff should advise appraisers to e-mail the PDF and/or the XML file to the Regional Loan Center (RLC) of jurisdiction with a clear explanation regarding appraisal upload failure. Once received, VA staff will have the option of uploading the PDF appraisal file; however, this option should only be used in rare instances where the XML file cannot be uploaded in WebLGY. Where this becomes an ongoing issue, VA staff will take action with the

individual appraiser to ensure future compliance with VA requirements. It is important to note that an LSAM report is only retrieved from CoreLogic via WebLGY if the uploaded appraisal file is an XML file with an embedded PDF. A LSAM report will not be retrieved if only a PDF appraisal is uploaded.

b. Reasons why a permitted XML file would not be uploaded into the VIP Portal/WebLGY include: 1) the appraiser has not updated their appraisal software to the latest UAD requirements; or 2) the appraiser has attached additional or supplemental documents such as the contract, completion report, building plans, and specifications to the permitted appraisal types as stated in Paragraph 4 below. **Note:** WebLGY will validate the XML file. An invalid XML or XML without an embedded PDF will result in one of the following system errors: *“Please provide a valid XML file,”* or, *“XML file does not contain an embedded PDF. Please provide a valid XML file including an embedded PDF.”*

c. To ensure appraisal integrity, lenders, servicers, and/or their representatives who have been given authority to place appraisal orders are not permitted to request XML or PDF appraisals directly from appraisers. To review a VA appraisal, only approved LAPP/SAPP SARs may access WebLGY and download a PDF copy of the appraisal. VA as the client maintains strict quality control to ensure all intended users of VA appraisals have the most recent appraisal that has undergone LSAM review. Therefore, with rare exception, WebLGY has been and remains the only source for a copy of the appraisal report.

4. Appraisal Type. In addition to the file format, the type of appraisal report requested will also determine whether an LSAM report can be generated.

a. Currently, LSAM only supports XML files for the Uniform Residential Appraisal Report (Fannie Mae 1004/Freddie Mac Form 70 UAD Version), Manufactured Home Appraisal Report (Fannie Mae 1004C/Freddie Mac Form 70B), Market Conditions Addendum to the Appraisal Report (Fannie Mae 1004MC/Freddie Mac Form 71), Individual Condominium Unit Appraisal Report (Fannie Mae 1073/Freddie Mac Form 465 UAD Version), Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075/Freddie Mac Form 466 UAD Version), and the Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055/Freddie Mac Form 2055 UAD Version).

b. LSAM currently does not support the Small Residential Income Property Appraisal (Fannie Mae 1025/Freddie Mac Form 72) or the Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac Form 442).

5. LSAM. LSAM does not provide an estimate of value or make decisions for the LAPP/SAPP lenders. In addition, LSAM does not accept or reject appraisals or characterize them as good or bad.

a. Once the appraiser has uploaded the XML file into WebLGY, LSAM will review the appraisal, checking and evaluating for any inconsistencies. LSAM then validates the appraisal, applying VA-authorized rules that evaluate the quality and valuation risk associated with the uploaded appraisal. Once the LSAM is complete, it is delivered back to WebLGY and is

available for review as an embedded hyperlink on the status and history page. It is required that all SARs take an LSAM computer-based training course and review LSAM quick reference guides so that SARs may be familiar with the four primary LSAM report sections. See Training section below for more information.

b. Every appraisal made for VA purposes must be administratively reviewed either by VA staff or a LAPP/SAPP SAR prior to issuance of the NOV. SARs will perform administrative reviews according to VA appraisal requirements and must use LSAM as a tool to ensure appraisals are accurate, complete, and that the property is properly valued to VA-accepted appraisal principles and practices.

c. As a rules-based system, LSAM will assist SARs in finding inconsistencies by flagging such items as potentially problematic, and determine whether the appraisal is in compliance with VA appraisal requirements, industry-accepted appraisal principles and methodologies, and Uniform Standards of Professional Appraisal Practice (USPAP).

d. Situations may arise when LSAM is not available or temporarily delayed in being uploaded into WebLGY due to system issues. In cases where timeliness or other demands require issuance of the NOV prior to an LSAM being available, SARs should enter in WebLGY notes, prior to performing an administrative review, that the LSAM was not available.

6. Appraisal Reviews. Depending on numerous factors, appraisal reviews may vary. A general approach to the appraisal review process can be used when leveraging LSAM. SARs are a critical part of the review process and are ultimately responsible to perform due diligence to investigate, analyze, and verify the procedures used in the appraisal to ensure that the appraisal report results in a credible value opinion prior to issuance of the NOV.

a. LSAM provides VA with the opportunity to establish a new two-tiered (low risk and high risk) appraisal review process. See Exhibit A for a recommended appraisal review workflow process.

(1) Low risk appraisals are defined as appraisals with LSAM Valuation Risk Score between 300 and 700 and an Integrity Risk Score of equal to or less than 700. After a cursory review of the appraisal, Report Header, Scoring Summary, and Appraisal Review Alert Section of the LSAM. SARs should review the appraisal sales comparison grid looking for any inconsistencies and review the subject and comparable sales photos to ensure that the appraisal meets additional VA appraisal requirements, such as minimum property requirements (MPRs), property eligibility, and local conditions. Any inconsistencies and resulting remedial actions must be noted in WebLGY Notes section. Generally, if there are no inconsistencies and the appraiser produced a credible appraisal report, SARs may issue the NOV.

(2) High risk appraisals are defined as appraisals with an LSAM Valuation Risk Score under 300 or above 700 and/or an Integrity Risk Score of greater than 700. In this case, a comprehensive review of the appraisal and LSAM are required. SARs should perform a comprehensive review of the LSAM and appraisal to ensure that other VA requirements such as MPRs, local conditions, and eligibility are met per VA requirements. SARs must document their

findings/conclusions in WebLGY notes for any high-risk report prior to issuing the NOV. *Note:* an appraisal that is resubmitted as a result of such review may continue to fall within the parameters of High Risk. However, with proper documentation, this may be considered acceptable in the judgment of the SAR. An example would be a complex property or a proposed/new construction home which would return little or no useful LSAM data and would create a N/A Valuation Risk Score and/or a High Integrity Risk score above 700. Sometimes, a lack of meaningful LSAM data will support the appraiser's contention that market data was limited that resulted in a high risk appraisal.

b. As a guideline, there are four general LSAM report sections that can be used in the following ways to assess the risk level of an appraisal.

(1) The Report Header section should be reviewed to confirm the address and other appraisal details match the appraisal undergoing the review process. This first step will identify if there are any conflicts with the subject address, effective date, and opinion of market value of the appraisal.

(2) The Scoring Summary section should be reviewed to assess the main areas of risk within the appraisal. First, determine where the main areas of risk are within the appraisal by reviewing the scores and sliders. If scores and sliders indicate a high risk, a full review of the LSAM report and appraisal may be necessary. If the scores and sliders indicate the appraisal is low risk, a review of the LSAM alerts and a cursory review of the appraisal may be sufficient.

(3) The Appraisal Review Alerts section should be reviewed to identify any high-risk alerts that fired during the LSAM report creation process. This section will drive follow-up research into the Supplemental Data section for high-risk appraisals. Each alert that is triggered will provide SARs with recommended actions to take regarding the risk being highlighted by the alert during the review process. Some alerts are critical in nature (high risk) and may *require* action while others (medium or low risk) are intended more as a warning to make SARs aware of the potential issues with the appraisal. The triggered alerts and corresponding recommended actions are not to be systemically cleared by the appraiser, but rather are meant to highlight risk that SARs should consider to assist with their appraisal review prior to issuing the NOV. SARs must not make demands on appraisers or provide instructions based solely on automated LSAM alerts. SARs must use their own due diligence according to VA appraisal requirements in combination with LSAM feedback. VA will actively monitor SARs who are asking appraisers to change their appraisal reports based solely on LSAM feedback without further due diligence.

(4) The Supplemental Data section must be reviewed only when the LSAM indicates the appraisal is in a high-risk status. The Supplemental Data provided (public records, MLS data, MLS photos, transaction history, additional sales, and market area data) can be very beneficial when trying to determine the quality and accuracy of an appraisal.

c. Mandatory Action Alerts and/or resubmissions of appraisals must be documented in WebLGY notes. When requiring an appraiser's action, both the required action(s) and the results must be recorded in WebLGY notes. VA periodically will readjust the alert risk profile and

corresponding recommended actions as needed to comply with industry-accepted appraisal principles and methodologies, VA appraisal requirements, and USPAP standards.

d. LSAM availability is dependent on the integration and communication between VA and CoreLogic computer systems. From time to time, either or both systems may not be fully operational due to system maintenance or high network traffic volume. Generally, XML files will be batch processed to CoreLogic every 5-10 minutes on a 24-hour a day cycle. It is recommended that if WebLGY displays a status message that the “LSAM Report is Pending,” SARs should wait for the Pending LSAM prior to completing a desk review and issuing the NOV. **Note:** WebLGY will display status messages regarding LSAM. See Exhibit B for a table of LSAM errors that could be encountered during the review process.

7. Training. Effective immediately, LSAM computer-based training (CBT) will be provided for all SARs. The SAR LSAM training course delivers interactive, comprehensive, role-specific training to ensure SARs are aware of all aspects of the LSAM report. In addition, quick reference guides will be available to ensure SARs have the necessary skills and knowledge to perform their appraisal review function within the AMS environment. In the future, all SAR applicants and transferees with preliminary approval must complete SAR LSAM training prior to receiving final approval.

a. Pre-Registration Required. In order to take the SAR LSAM training course for credit by VA, SARs must be pre-registered and approved for their current lender/employer, and have a valid six-digit VA SAR Identification (ID) number. Once a SAR has been pre-registered, CoreLogic will email the approved SAR login information. After SARs are pre-registered, they may access the online SAR LSAM training course through the Veteran Information Portal (VIP) at <https://vip.vba.va.gov/portal/VBAH/Home>. Once VA VIP login is complete, the SAR LSAM Training course can be accessed via hyperlink located on the left navigation pane. The hyperlink will open a new browser window to CoreLogic’s articulate training for SAR LSAM training. SARs then must enter their email address and the CoreLogic supplied password. SARs that are pre-registered, but have forgotten their password, can reset their password by selecting reset password hyperlink. CoreLogic will respond with time sensitive instructions for resetting their password.

b. Certificate of Completion. At the conclusion of the SAR LSAM training, LSAM CBT will generate a fill in the blank certificate of completion. All SARs must enter their full name and SAR ID number in the space provided prior to emailing it to SAR Support at [SARSUPPORT.VBACO@va.gov](mailto:SARSUPPORT.VBACO@va.gov). The certification of completion may be sent as a screen shot that is readable as a PDF for further processing by VA Central Office staff.

c. Quick Reference Guides. In addition, quick reference LSAM guides can be found at the following link: <http://www.corelogic.com/landing-pages/veterans-affairs-avm-and-ams-training-aids.aspx#container-LenderSAR>.

#### 8. Help Desk Procedures.

a. VA policy issues regarding the use and interpretation of LSAM, should first be handled by the RLC of jurisdiction by email. A list of RLCs is located at

[http://www.benefits.va.gov/HOMELOANS/contact\\_cv.asp](http://www.benefits.va.gov/HOMELOANS/contact_cv.asp) or by telephone at [http://www.benefits.va.gov/HOMELOANS/contact\\_rlc\\_info.asp](http://www.benefits.va.gov/HOMELOANS/contact_rlc_info.asp). C&V management personnel will determine whether to elevate the issue to VA Central Office for final resolution.

b. SARs with questions about pre-registration, being or becoming an approved SAR for their current lender/employer, or about their SAR ID number, may e-mail SAR Support at [SARSUPPORT.VBACO@va.gov](mailto:SARSUPPORT.VBACO@va.gov).

c. For all VA VIP and WebLGY related issues such as XML, LSAM file error messages, SARs should email their inquiries to [LGYPMDISupport.VBAVACO@va.gov](mailto:LGYPMDISupport.VBAVACO@va.gov).

d. For all training specific issues and support, SARs may contact the CoreLogic VA Help Desk by phone (800) 447-4517 or e-mail [VA\\_Helpdesk.DARS@CoreLogic.com](mailto:VA_Helpdesk.DARS@CoreLogic.com) to report issues and to request assistance for training-related issues. The CoreLogic VA Help Desk hours of operation are from 8:00 A.M. Eastern Time until 8:00 P.M. Eastern Time, Monday through Friday. The CoreLogic VA Help Desk will not be available on holidays or weekends.

10. Action. 120-days after the effective date, SARs will be held accountable for performing review work in accordance with this Circular. This will allow SARs a transition period from the date of this Circular through September 30, 2015, to conduct training.

11. Rescission: This Circular is automatically rescinded July 1, 2017.

By Direction of the Under Secretary for Benefits

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