

CHAPTER 10. APPRAISALS

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10.01 ORDERING AN APPRAISAL

a. At least 30 days prior to the scheduled, or anticipated date of the foreclosure sale, the servicer must request that VA assign an appraiser to conduct a liquidation appraisal. The Construction and Valuation (C&V) section at the Loan Administration staff of jurisdiction where the property is located may reach out to the VA-assigned technician for assistance in contacting the servicer for access to vacant properties. If state laws prevent the servicer's ability to provide access to a vacant property, the appraiser must contact the C&V in the jurisdiction where the property is located for approval to conduct an exterior-only report. An interior appraisal will no longer be required in cases where the property was originally scheduled for foreclosure, and a subsequent compromise sale offer is made. The exterior-only liquidation appraisal will be sufficient to complete the Compromise Sale without any further delays. The only exception to this rule is if the purchaser is a Veteran or surviving spouse. The liquidation appraisal is valid for 180 calendar days from the date of issuance; however, the C&V section may specify a shorter validity period if rapidly changing market conditions exist in the area. Failure to order the appraisal timely, or a delay in providing the appraiser access to a vacant property, may delay the completion of the foreclosure sale.

1. Servicers must provide accurate and complete information when ordering an appraisal, including a point of contact to gain access. It is the responsibility of the servicer to facilitate access to vacant properties.

2. Once an appraisal is completed, a Notice of Value (NOV) is issued. Since appraisal reports are subject to change upon review, servicers should rely only upon an NOV for Net Value Calculations. For additional information on the Net Value, review section 9.03.

3. Servicers are expected to provide prompt payment for appraisal services.

b. If the servicer has a Servicer Appraisal Processing Program (SAPP) authority to process liquidation appraisals under 38 C.F.R. §36.4348, the appraiser will forward the liquidation appraisal report directly to the servicer for review and issuance of the NOV. If the servicer does not participate in SAPP, the appraiser will forward the liquidation appraisal report to the Loan Administration staff of jurisdiction, for review and issuance of the NOV. If the servicer learns of any material damage to the property after the appraisal has been completed, but prior to the foreclosure sale, the servicer must notify the assigned VA technician and contact the C&V section of jurisdiction for specific guidance.

c. If a servicer proceeds to loan termination without a valid VA appraisal, they are in violation of 38 C.F.R. §36.4322. On a compromise sale, VA will issue a regulatory infraction, not pay a claim until the net value is established, and an adjustment may be made to the claim if VA's liability was increased. On a deed-in-lieu (DIL) of foreclosure, VA will issue a regulatory infraction, will not accept custody of the property, and will not pay a claim until the net value is established. In rare instances, if the servicer discovers and corrects their error, VA may consider acceptance of custody, and pay a claim once the net value is established.

d. For additional information on appraisal requirements, review Chapter 11 of the Lenders Handbook – VA Pamphlet 26-7 located on the Web Automated Reference Material System website at https://benefits.va.gov/warms/pam26_7.asp.

10.02 NET VALUE CALCULATION

a. The net value is calculated by multiplying the VA Net Value cost factor times the “as is” value from the NOV issued in WebLGY. The Net Value cost factor represents the cost VA incurs from acquiring and disposing of properties. The Net Value cost factor is published by VA in the Federal Register per 36 C.F.R. §36.4301. Current and past rates for the Net Value cost factor can be viewed on the VALERI Internet site located at:

http://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp.

b. For example, if a servicer forecloses on a property with an NOV “as is” value of \$100,000. and the VA Net Value cost factor is 15.95%, VALERI calculates the net value as follows:

1. NOV “as is” Value = \$100,000.
2. Application of VA cost factor (15.95% x \$100,000) = \$15,950.
3. Net value (\$100,000 minus \$15,950) = \$84,050.

c. The net value calculated by VALERI is compared to the amount reported by the servicer in the Results of Sale or DIL Complete event. If there is a discrepancy, VALERI uses its calculation of net value to determine the acquisition payment.

10.03 NOV EXTENSION REQUESTS

a. VA requires an appraisal to be valid at the time of foreclosure sale, closing for the compromise sale, or recording (or sent for recording) of the DIL alternative. If the NOV will expire prior to the terminating action, the servicer may request an extension of the NOV by contacting the VA assigned technician, as long as the following conditions apply:

1. The request is received prior to the NOV expiration date.
2. The NOV extension request is received before the foreclosure sale, closing of the compromise sale, or DIL of foreclosure execution or recorded date, whichever is reported by the servicer.
3. The current occupancy status of the property and explanation as to why the extension is necessary has been provided.
4. No known extenuating circumstances exist that may diminish the value of the property.

b. Any requests that fall outside of these general requirements will be reviewed by VA on a case-by-case basis. If VA denies the servicer's request to extend the validity period of the NOV, the servicer must order a new VA appraisal.

c. The servicer will compute, and determine the bid type, and amount by taking the fair market value of the property on the NOV, minus estimated costs incurred by VA in acquiring, and disposing of the property. The number to be subtracted from the fair market value will be calculated by multiplying the fair market value by the current Net Value cost factor. The Net Value cost factor is published by VA in the Federal Register per 38 C.F.R. §36.4301. Current, and past rates for the Net Value cost factor can be viewed at:
http://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp.