

**2005  
FEE APPRAISER  
&  
STAFF APPRAISAL REVIEWER  
TRAINING GUIDE**



**Construction and Valuation Section  
VA Regional Loan Center  
Cleveland, Ohio**

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**Cleveland Regional Loan Center (RLC)  
Construction and Valuation Section**

**Servicing Ohio and New Jersey, Pennsylvania, Delaware, Michigan and Indiana**  
Phone 1-800-729-5772 + ext to contact the appropriate individual, please match the last two digits of the VA loan number to the list below

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**Website and other information: <http://www.vba.va.gov/ro/cleveland-rlc.htm>  
Access to The Appraisal System (TAS): <http://vip.vba.va.gov>**

Effective 08/18/2005

# PREFACE

## INTRODUCTION

This Fee Appraisers Handbook is intended to supplement the appraisal requirements and guidelines provided in the Lenders Handbook (September 2001 revision). Where there is any inconsistency between this Fee Appraisers Handbook and the Lenders Handbook, the Lenders Handbook will be considered the controlling document. In cases where the Fee Appraisers Handbook and Lenders Handbook vary as to standards of performance, the more stringent requirements will govern. The Lenders Handbook is for use of all fee appraisers in our jurisdiction (Ohio, Michigan, Indiana, New Jersey, Pennsylvania and Delaware)

## STATEMENT OF VA EXPECTATIONS

**In addition to quality appraisal reports completed in timely fashion, the Department of Veterans Affairs expects and requires the highest standards of professional conduct, courtesy, appearance, and customer service from its Fee Panel members. Although you are independent contractors, remember that in the eyes of the veterans, lenders, Realtors, and other clients with whom you come in contact every day, *you represent the Department of Veterans Affairs, Cleveland Regional Loan Center.*** While we recognize and respect your right to conduct your business as you see fit, be assured that VA has the right -- and the responsibility -- to ensure that the Loan Guaranty program is administered first and foremost for the benefit of our veterans.

# CHAPTER 1

## GENERAL INFORMATION

VA Fee Appraisers operating within the jurisdiction of the Cleveland Regional Loan Center (RLC) must comply with the following guidelines:

### Requirements for Appraiser Accessibility / Communication

#### ◆ Phone/Fax Availability

- A **fax machine**, or access to a fax machine, is **mandatory**. It should be noted that VA allows, even encourages, lenders to fax the signed VA Form 26-1805-1 (Request for Determination of Reasonable Value) to the assigned Fee Appraiser to save mailing time. Therefore, any Fee Appraiser found to be without a functioning fax number will be contacted by VA and asked to remedy the problem. If we are unable to contact you, no further appraisal assignments will be made until such time as fax communication has been restored.
- A **telephone answering machine**, or voice mail system, or someone to answer your telephone during normal working hours (8:00 a.m. to 4:00 p.m.) Monday through Friday, is **mandatory**.
- If no one is available to answer your telephone or to check your e-mail during periods of unavailability, you are required to have a recorded telephone message and an automatic outgoing e-mail response to inform callers of the date you expect to return. These messages should further direct them to call the VA office of jurisdiction if they need immediate assistance.
- **Note:** Fee Appraisers **must respond** to all inquiries (phone/fax/e-mail) from VA staff, lenders, or real estate agents, and all program participants **no later than the following business day**. Failure to respond by the end of the following workday can result in immediate withholding of new assignments until such time as you have responded to VA.

#### ◆ Internet / E-Mail Access

- Fee Appraisers **must have Internet access** that is compatible with The Appraisal System (TAS). Additionally, **no later than March 1, 2003**, all Fee Appraisers must have access to an **e-mail address** from which they can both send and receive e-mail.

#### ◆ Electronic Transmission of Appraisals (E-Commerce)

- VA has successfully tested electronic transmission of appraisal reports via E-APPRAISAL. This procedure is the nationwide standard for transfer and distribution of VA appraisals.
- E-Commerce began in the Cleveland Regional Loan Center in August of calendar year 2001. Your e-mail provider must have the capacity to accommodate appraisal packages up to approximately 3 Megabytes in size.
- Portal Access: <http://vip.vba.va.gov>  
Inquiries, problems: [325cnv@vba.va.gov](mailto:325cnv@vba.va.gov)  
Information: <http://www.vba.va.gov/ro/cleveland-rlc.htm> & <http://www.homeloans.va.gov>

## The Assignment Process

### ◆ Computer Assignment

Lenders and other requesters order case numbers and appraisals through the Internet-based The Assignment System (TAS). The computer system assigns a Fee Appraiser for each case on a rotational basis according to geographic areas (cities and/or counties) of coverage. All appraisers currently on the VA Fee Panel whose status is "Active and Available" are in the rotation and eligible to receive assignments.

### ◆ Appraisal Request Form

When the requester has entered all necessary information on the screen, TAS generates a fully completed VA Form 26-1805-1 ("Request for Determination of Reasonable Value") which the requesting lender is expected to print out, sign, and immediately send to the assigned Fee Appraiser. The Form 26-1805-1 will include the VA case number, access information, and be accompanied by the purchase agreement (if applicable) and any other necessary exhibits. You should follow up immediately with any requester who has not provided you the Appraisal Request (Form 26-1805-1) within two business days of the computer assignment date.

\*\*\*\* **CHECK TAS DAILY** \*\*\*\*

- **Note:** *Do not delay beginning work on the appraisal if you have verified the assignment with the requester but have not yet received the 26-1805-1.*
- **Note:** *In conformance with USPAP requirements, you are expected to make a reasonable attempt to obtain the sales contract and disclosure statement(s). Under no circumstances, however, are you to delay completing an appraisal assignment or forwarding the report to the requester because the sales contract or disclosure statement has not been received.*
- VA as CLIENT, see Information Letter 26-04-19 attached

## Monitoring Your TAS Account

### ◆ Fee Appraiser Responsibility

It is **your responsibility** to monitor your TAS account on a regular basis. Checking daily will enable you to keep track of your workload and will alert you to new VA appraisal assignments as soon as they are ordered by the requester.

Your "**Appraiser Pending Assignments**" list in TAS will display the case number, the subject property address, the name, address, and phone number of the person and company who ordered the appraisal, and the type of case (i.e., LAPP, IND, LGI, etc.). When viewing your pending assignments, we suggest that you keep the following points in mind:

- **LAPP & Servicer Loss Mitigation Program (SLMP) Appraisals:** Upon request, these appraisals must be up-loaded to E-APPRAISAL immediately upon completion. [Refer to the "**Appraisal Timeliness & Distribution Checklists**" on pages 10 and 11.]
- **Liquidation (LGI) Appraisals:** If you receive a cancellation notice from the requester, please notify the Cleveland Regional Loan Center with the complete 12-digit VA case number and property address. If requested, these appraisals may also be e-mailed or faxed directly to the requester on SLMP cases. [Again refer to the "**Appraisal Timeliness & Distribution Checklists**" on the following two pages.]
- If you need to have a case reassigned for any reason, contact the Cleveland RLC. You are not allowed to 'give' the assignment to someone else, it must be re-assigned by VA.

- You may notice that your “**Appraiser Pending Assignments**” list includes a number of cases that you have already completed and submitted to VA or to the LAPP lender weeks (or perhaps in some cases, months) earlier. This will particularly be true of LAPP cases, which continue to display the status “out for appraisal” in our computer system until such time as VA receives and inputs the appraisal data from the lender’s LAPP Audit copy. Lenders are supposed to submit their LAPP Audit copies to VA no later than the end of the month in which the LAPP NOV was issued, but this does not always happen.

If you are confident that your appraisal report was properly and timely submitted and you have received no subsequent status inquiries about it, don’t be concerned that the case is still showing on your “pending” list. It will be cleared out eventually. If you wish to verify that a “pending” **IND** or **LGI** case has been received by VA, feel free to contact the Cleveland RLC.

◆ **Vacation Notices**

- You must notify your VA office of jurisdiction (Cleveland Regional Loan Center, Construction and Valuation) at least **7** business days in advance when you need your assignments stopped. To notify VA, fax or e-mail (**325CNV@vba.va.gov**) to the Cleveland RLC.
- **Note:** It is **your responsibility** to ensure that all assignments received (or assigned to you on TAS) prior to the start of your time off period are completed and sent to the proper party. Be sure that you notify VA of any assignment(s) still pending so we can reassign them. Also inform VA of any pending inspections that may be needed while you are off the panel.

◆ **Illness or Emergency Notices**

- Immediate notification is required when you need your assignments stopped for illness or emergencies. If possible, complete the Fee-Personnel Data Form enclosed in this handbook and fax or e-mail it to us. If necessary, contact VA by phone. Also, please let us know if there are any assignments you have not completed, so that these can be reassigned to another fee appraiser.
- **Note:** Please be aware that cases unaccounted for during the period of your unavailability are subject to reassignment in the event we are unable to reach you to determine status. If the case is reassigned, you may not be able to collect your fee.

All VA Fee Panel Appraisers must comply with the guidelines provided in the “**Appraisal Timeliness & Distribution Checklists**” (Tables 1 and 2) on pages 10 and 11.

You should report your timeliness information on the “**Client Requirements**” Addendum to your URAR, in the following format:

<b>R</b>	<b>(Received)</b>	<b>12-04-02</b>
<b>A</b>	<b>(Appraised)</b>	<b>12-08-02</b>
<b>U</b>	<b>(Uploaded)</b>	<b>12-09-02</b>

Other formats are acceptable as long as we receive all the required information.

An explanation is always required on all cases submitted late. Use the **RAU Comments** section of the Addendum or other to document the **length** (number of days) and the **specific reason (s) for each delay**. Any delays that are reasonably outside the appraiser’s ability to control (assuming due diligence) will not be counted against you.

You should be aware that continued failure to comply with these timeliness requirements may result in administrative (i.e., disciplinary) action up to and including **Limited Denial of Participation (LDP)**. [A thorough discussion of Disciplinary Procedures appears in Chapter 9.]

# CHAPTER 2

## VA APPRAISAL REQUIREMENTS

**Note:** As stated in the Introduction, the current version of the Lender's Handbook, particularly Chapters 10 through 13, will be your primary reference regarding VA Appraisal Requirements. The following information is provided to emphasize or to supplement the Lender's Handbook material.

### ◆ USPAP

Every VA appraisal must meet the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a complete appraisal, but may be issued as either a self-contained Appraisal Report or a Summary Appraisal Report. VA prior approval is required prior to performing a "restricted" appraisal.

**Note:** The USPAP jurisdictional exception permits Federal agencies to follow their own requirements when there is a conflict between USPAP and Federal agency requirements.

### ◆ Selection of Comparable Sales

The appraiser must select the three best comparable sales available and properly adjust the sales price of each one for differences between it and the subject property. The goal is for the VA value estimate to not exceed the price at which similar properties can be purchased in the current market.

The appraiser must adequately explain any reliance on sales that are not truly comparable to the subject.

### ◆ Approaches to Value

#### Sales Comparison Approach:

For most VA appraisals, this approach will be your primary, if not exclusive, indicator of final value. Key points to keep in mind:

- At least three (3) **closed sales** of comparable properties must be utilized. Ideally, the comparable sales should bracket the subject's Gross Living Area (GLA) and estimate of value. If the sales do not bracket the value conclusion, a supporting explanation and additional closed sales, pending sales, or listing data are required.
- If comparables are located at excessive distances from the subject or market area boundaries, their use in the Sales Comparison Approach must be adequately explained.

Additional current sales data is required (Closed, Pending, Listing) under the following circumstances:

- If two of the three sales have close of escrow dates older than twelve (12) months.
- When the adjusted values indicated by the comparable sales are too widespread (total spread, high or low, exceeds 15%), or are inconclusive.
- If two of the three sales required excessive adjustments.
- When the market is declining/increasing, and additional support for a time adjustment is required.

### **Income Approach:**

- If the appraisal involves an income-producing property (***more than one living unit***), the appraiser will use value estimates developed through ***both the income approach and the sales comparison approach*** in the final reconciliation.
- Note that for VA purposes, a veteran may purchase a dwelling of up to four living units, so long as he or she occupies one of the units. In valuing such properties, consideration must be given to the income-producing potential of the remaining unit(s), whether or not the veteran actually plans to rent them out.

### **Cost Approach:**

- You are not required to provide the cost approach to value on any VA appraisal (proposed, new, or existing construction). Since the residential real estate market does not base transaction decisions on a property's reproduction or replacement cost, the cost approach to value may only be ***used only to support the sales comparison approach in the final reconciliation***. This may be warranted in rare situations (due, for example, to some unusual aspect of the subject) where the comparable sales alone do not provide an adequate indication of value.
- ***Note: Any LAPP appraisal wherein the final value was based to any material degree on the cost approach must be sent to VA rather than to the LAPP lender. The LAPP lender must of course be notified of this.***

## ◆ **Appraisal Report Forms**

All VA real property appraisals are to be completed using ***one of the following forms***:

- ***Uniform Residential Appraisal Report (URAR)***, Freddie Mac Form 70 / Fannie Mae Form 1004 [unless the property is a condominium unit or is income-producing (more than one living unit)]
- ***Individual Condominium Unit Appraisal Report***, Freddie Mac Form 465 / Fannie Mae Form 1073, if the property is a condominium unit
- ***Small Residential Income Property Appraisal Report***, Freddie Mac Form 72 / Fannie Mae Form 1025, if the property has two to four living units.

## **Completing the Uniform Residential Appraisal Report (URAR):**

The URAR should be completed fully, in accordance with the following instructions and guidelines. Be sure to **complete all items of the URAR**; do not leave any item blank. Indicate N/A if not applicable. Do not use phrases such as "in lender's file" or "see prelim."

### **A. Subject Section**

1. Full VA case number with "LAP" prefix, if applicable
2. Subject address. If address is a rural route and box number, please provide the street or road name and a good location & plat map.
3. All appraisals must have a complete legal description. The legal description must have adequate information, so that with the legal description alone, the reviewer can identify the subject property.
4. Current taxes, including special assessments
5. Borrower, current owner, occupant, (tenant or vacant, if applicable)
6. Property rights should be appraised as Fee Simple. Properties with undivided interest must be on VA/FHA Condo approved list
7. PUDs and condominiums must show monthly HOA dues in space provided.
8. Appraiser's name and VA ID number

### **B. Neighborhood Section** [Note: Items marked with \*\* may be provided on "Client Requirements Addendum" in lieu of URAR]

1. Neighborhood market analysis should be consistent and relate to all other analysis and comments throughout the report
2. Predominant occupancy grid
3. Single family housing
  - a) price - typical range, predominant value
  - b) age - typical range, predominant age
  - c) in comments, describe the types, ages, unit mix of the neighborhood
  - d) address any marketability factors relating to the subject property if it is outside of the typical or predominant age/value range of the neighborhood
4. Present land use grid
5. Land use change grid
  - a) comment on any rating other than "not likely"
6. Neighborhood boundaries
  - a) delineate the north, south, east, and west boundaries of the neighborhood based on major arterial streets/roads or other geographic or governmental demarcations
7. Comments - Use an addendum, if necessary, to fully describe:
  - a) location of community
  - b) amenities
  - c) locational deficiencies and/or
  - d) inharmonious buildup which affects marketability and/or market value
8. General market conditions - comment on:
  - a) predominant financing in area
  - b) the existence (or nonexistence) of sales or financing concessions in the subject's market area and make a statement regarding any effect they have on the sales prices of comparable homes.
  - c) \*\* whether marketing time (listing period) in subject's market area is increasing or decreasing (e.g., "In the last 3 months, the listing period in the subject's market area has decreased from 180 days to 90 days).
  - d) \*\* average listing price to sale price ratio. Appraiser will use professional judgment to estimate this ratio if unable to determined from available data sources.

### **Notes Regarding the Importance of Listings, Contract Offers, etc.:**

In **every case**, the appraiser **must**:

- analyze sales listings, contract offers and unsettled sales to determine if market conditions changed between the date each comparable sold and the date of the subject property appraisal.
  - ⇒ **This is especially important in markets with rapidly increasing or decreasing values.** If the subject property is in a new subdivision, the analysis must include the builder's closed sales, sales in competitive subdivisions and sales of similar existing properties, 2 sales inside and 1 sale outside new subdivision, or 3 sales inside, but by 2 different builders.
- \*\* certify, either in the "Neighborhood" section of the URAR or on the Client Requirements Addendum, **"I have considered relevant competitive listings/contract offerings in performing this appraisal, and any trend indicated by that data is supported by the listing/offering information included in this report."**
- provide a listings/offers addendum if either
  - ⇒ a time adjustment is made in the "Sales Comparison Analysis" section, or
  - ⇒ a significant market transition is indicated in the "Neighborhood" section (due to changes in employment opportunity, housing supply/demand, average marketing time, seller concessions, etc.).

**If an addendum is required:**

- It must provide all of the following information regarding **at least three competitive listings or verifiable, bona fide contract offerings** considered the most similar and proximate to the subject:
  - ⇒ The type of information usually found in an MLS entry or other listing.
  - ⇒ How long each property has been on the market (total time listed).
  - ⇒ Any change in the listing price of each property (if known).
  - ⇒ A short statement comparing the property to the subject.
- Contract offerings are more desirable than listings and should be given more weight.
- Any new construction contract must clearly identify every optional item and variation from the basic house type and any sales/financing concession included in the sales price.
- Listings must be properly identified and may include a legible copy of an MLS entry.
- Although not required, it may be helpful to make adjustments or otherwise use a sales comparison analysis grid.

**Note:** Sales listings, contract offers, and unsettled sales **must not be used as comparables**. If such data is clearly identified and fully explained, however, it **can be used as supporting data, and to support time adjustments**.

C. **PUD Section** [Note: The approved Condominium list is available in TAS "All Users--Condo/PUD/Builder" menu.

1. Complete for properties located in PUD projects.
2. Comment on pending litigation, if any.

D. **Site Section**

1. Provide accurate lot size, frontage, and depth,
2. Identify if corner site, cul-de-sac, etc.
3. Indicate zoning - both specific community designation code and description required, identify equestrian zoning, if applicable.
4. Identify highest and best use - comment required if this is other than "present use."
5. Utilities block;
  - a) when utilities are not public, indicate actual source
  - b) specify whether water and sewer are public or private; wells are individual or community
  - c) if public water or sewer is available in close proximity but subject is not connected, appraisal must be conditioned for connection
6. Off site improvements block
  - a) describe type of street surfaces - comment if atypical for the neighborhood
  - b) indicate if private road - if so, property acceptability is subject to submission of evidence of **both**
    - legal right of access (i.e., recorded easement)
    - maintenance agreement (if maintenance cost to assure year-round access is significant, must be conditioned for approval)
    - maintenance agreement must be signed by all property owners on the road, and recorded at County Recorder's Office.
7. Site description block - describe site as to:
  - a) topography, usable land.
  - b) size
  - c) shape
  - d) drainage
    - 1) indicate whether adequate or inadequate
    - 2) if inadequate, explanatory comments are required and appraisal must be conditioned for correction of drainage problem
  - e) view - describe (e.g., residential, commercial, park, water, golf course, etc.)
  - f) landscaping - describe (full, front only, minimal, etc.)
  - g) driveway surface (asphalt, all-weather, gravel, etc.)
  - h) apparent easements
  - i) flood hazard information (FEMA map)
    - 1) specify whether the subject property is in a FEMA (Federal Emergency Management Agency) Special Flood Hazard Area
    - 2) identify FEMA zone, FEMA map number, and map date
    - 3) Note: "unknown," or "not available," is **not** an acceptable entry
8. Comments (use addendum if necessary) - describe any
  - a) deficiencies which may detract from the marketability or value of the site -- if none were noted, state: "NO ADVERSE CONDITONS NOTED"
  - b) favorable features which may enhance marketability or value can also be noted here

## **E. Description of Improvements Section**

1. General description
  - a) units: should be 1 (if 2 to 4 living units, use the Small Residential Income Property form rather than the URAR)
  - b) stories: 1.0, 1.5, 2.0, 2.5, etc.
  - c) type - indicate attached or detached
  - d) design: indicate style (example: ranch, colonial, Cape Cod, split-level, bungalow, etc.)
  - e) existing/proposed - indicate status of construction
  - f) age - actual chronological age in years (if less than one year, specify number of months or provide date of completion)
  - g) effective age:
    - 1) stating as a narrow range is acceptable
    - 2) any significant variance from actual age should be reflected in any condition adjustment
2. Exterior description:
  - a) foundation - indicate concrete slab, poured concrete, concrete block, cinder block, brick, stone, etc. (if none, so state)
  - b) exterior walls - indicate primary material (brick, stucco, wood, etc.)
  - c) manufactured house: enter yes or no
3. Foundation description
  - a) slab/crawl/basement/sump pump
    - 1) indicate yes, no, none, etc., as applicable
    - 2) explain variance of foundations (e.g., slab under family room, crawl under rear addition, etc.)
  - b) dampness (mold)/settlement, infestation - indicate "yes" or "none observed," as appropriate

**[Note: if evidence of one or more of these conditions is present, thoroughly comment on the location and severity, of the problem. If possible, indicate location on sketch. Appraisal should be conditioned to require correction/repair of the indicated problem.]**
4. Basement description
  - a) estimate percentage of basement or lower level rooms having finished ceiling/walls/floor
  - b) describe types of surfaces
  - c) describe rooms (family room, den, bedroom, recreation room) and amenities (fireplace, wet-bar, etc.) on additional lines or in comments section
5. Insulation description
  - a) indicate "unknown" unless able to verify
  - b) energy-efficiency features such as solar panels, storm windows, thermo glazed windows, insulation wrap, set-back thermostats, etc. can be noted in space at bottom of this section or in comments section below (as well as on the indicated line of the adjustment grid)
6. Room list
  - a) basement level - applicable to basement or lower levels of Split Level
  - b) level 1 - includes all finished living area at grade level
  - c) level 2 - includes all finished area above the first level
  - d) an additional line is available for a third level, if needed
  - e) room count and square feet of GLA - Note: all living areas must have adequate heat as defined in MPRs
7. Interior section
  - a) state surface materials and **condition** of each item
  - b) heating/cooling - specify type and condition
  - c) kitchen equipment - indicate built-in appliances ( note: non-built-in or free-standing equipment is generally considered personal property and not considered in value
  - d) attic - indicate as applicable

**F. Comment Section (use addendum if necessary)**

1. Additional features: energy efficient items (see note regarding insulation, above), as well as other features (vaulted ceilings, etc.)
2. Condition of improvements/depreciation:
  - a) describe deferred maintenance not severe enough to require repair, such as a marginal (non-MPR) deficiency that presents no hazard to the occupant and/or the property improvements, or a cosmetic deficiency due to age, wear, or market appeal, describe the quality of construction
  - b) required repairs must be
    - 1) limited to those needed to remedy VA MPR deficiencies
    - 2) clearly described so they can be identified and cleared by another person in the event of the appraiser's unavailability
  - c) occasionally, at request of a party of interest, a non MPR repair may be required. In such cases, appraiser must state reason for repair
  - d) detail updating, and/or replacement over the last 5 years (furnace, roof, etc.)
  - e) detail functional obsolescence in relation to current market demand, floor plan, effect of additions, auxiliary heat, etc., when applicable (discussion of effective age versus chronological age can go here)
  - f) detail external inadequacies/economic obsolescence commented on under neighborhood comments section or Site Comments section as to view/proximity to adversities
  - g) office space or areas designed or used for nonresidential purposes may not exceed 25 percent of the total floor space (per VA MPRs).
  - h) mechanical equipment must be detailed in comments section
  - i) additional Features include:
    - 1) additional furnace equipment
    - 2) other major mechanical equipment
  - j) above ground pools are to be mentioned but not considered in value
  - k) in-ground pools are to be considered in value
  - l) small metal utility sheds are not to be considered in value
  - m) out-buildings such as pole barns are to be considered to the extent they contribute to residential utility
3. Adverse environmental conditions (not all-inclusive)
  - a) hazardous waste
  - b) toxic substances (radon, asbestos, etc.)
  - c) proximity to gas or petroleum pipelines
  - d) proximity to high voltage electric transmission lines

### **G. Cost Approach**

VA does not require completion of the cost approach section **except the following items:**

1. Indicate the **estimated site value**
2. In the comments section on the right side, provide the estimated **Remaining Economic Life** of the property
  - a) must be consistent with the neighborhood analysis
  - b) comment is required if less than 30 years

### **H. Sales Comparison Analysis Section**

1. Addresses: provide the complete property addresses for the subject and comparables ( use the actual geographic location of the property, not the mailing address)
2. Proximity in relation to the subject:
  - a) if less than 1/2 mile from subject utilize "block" notation (Example: 5 blocks)
  - b) also indicate direction relative to subject (e.g., 5 blocks NW)
3. Sales price should reflect the actual contract sales price, not present market value
4. Data source: PACE, Metro Scan, MLS, etc. - include document # for verification
5. Sales or financing concessions - address the effect, if any, on the comp's sales price
  - a) adjustments to comparables must be made for special and creative financing or sales concessions (i.e. Nehemiah). No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comp by comparisons to financing terms offered by a third party institutional lender
  - b) adjustments should reflect market reaction to the financing concession, not the dollar for dollar cost to the seller
  - c) provide comments as necessary to explain any adjustments based on appraiser's judgment
6. Date of sale
  - a) should indicate sales closed within the last six months as of the date of time appraisal-- exceeding this parameter with justification is acceptable
  - b) time adjustments must be supported by at least three listings or pending sales - refer back to page 23 for a more extensive discussion of the use of listings to support time adjustments [or to Section 11.08 of the Lender's Handbook, from where this material was drawn]
7. Location/site:
  - a) provide lot size of subject and all comparables
  - b) **note:** the previous restriction on valuing "excess land" (which allowed assigning of full value only to that portion of the land considered typical in size for a residential home site in the subject market area) has been largely removed. See Section 11.12, Farm Residences, of the Lender's Handbook for the new guidelines.
8. View
  - a) note specific influences
  - b) provide photo if a significant adjustment is warranted

9. Design/appeal
  - a) for subject: indicate style (ranch, contemporary, manufactured) or provide other descriptive phrase (one-story or two story)
  - b) for comps: same as for subject and/or rank each comp relative to subject (equal, similar, inferior, superior)
10. Quality of construction
  - a) rate quality - comment on any quality adjustment used
  - b) trim, tile roof vs. comp roof, stucco vs. wood siding, etc. should be considered here
11. Age - state **actual** age of subject and comparables (effective age, if different, should be considered in condition adjustment)
12. Condition - rate as excellent/good/average/fair/poor--should be consistent with condition information shown on page 1
13. Room count:
  - a) comps should be similar to subject in bedroom count, if possible (adjustment for differences in bedroom or bath count can be made here or under Functional Utility, as long as the report's methodology is clearly discernible to the reviewer - provide explanatory comments as necessary - do **not** make the same adjustment twice)
  - b) Note: adjustments for room count and gross living area must be shown as separate line items (again, be careful not to "double-adjust" for the same variation under two different line items)
14. Gross living area:
  - a) should be as similar to subject as possible
  - b) adjustments not required for differences under **50** square feet unless market supports
  - c) office space or areas designed or used for **nonresidential purposes may not exceed 25 percent of the total floor area**. Storage areas or similar areas which are integral parts of the nonresidential portion are included in calculating the total percentage of nonresidential area. When faced a property that appears to exceed the 25% limitation, we suggest that you contact VA for guidance before submitting with the appraisal.
15. Basement & finished rooms below grade - specify percentage of basement finished and the number of baths (for split level residences, show lower level finished square feet and number of baths)
16. Functional utility:
  - a) any **adjustments should reflect market reaction** to any functional obsolescence of subject or comparables relative to each other
  - b) adjustments should be explained in the "Sales Comparison Comments" section and should be consistent with "Condition of Improvements" comments on page 1
  - c) see advisory note above regarding bedroom or bath adjustments
17. Heating/cooling
  - a) identify type of furnace and fuel source(central, wall, gas, electric)
  - b) state whether A/C or none
  - c) newer furnace or A/C may justify adjustment
18. Energy efficient items - replacement windows, solar heat, insulation etc. can be indicated here and adjusted as applicable

19. Garage/Carport
  - a) if none, indicate if there is off-street or street parking only
  - b) state garage features; siding, attached, detached, can be considered here
  - c) adjust for condition, age, or quality, as appropriate
  - d) If converted, comment on the extent and quality of the improvement (heating, floor covering, insulation, **permits**, etc.) and whether or not it qualifies as living area or merely storage - note that any adjustments should
    - be based on market reaction
    - balance any gain in living space against the loss of parking facilities
20. Porch, patio, deck, fireplace
  - a) adjustments will be depend on differences in size and quality of porches, patios, decks, fireplaces, etc.
  - b) natural wood burning fireplace can warrant adjustment but cannot be used as the sole or primary heat source (see VA MPRs regarding heating)
  - c) personal property such as satellite dishes or above ground pools are **not** to be included in the estimate of reasonable value.
21. [Blank line] - may be used for:
  - a) additional custom or amenity items, such as full remodel of kitchen or bath
  - b) kitchen equipment (must be built-in to be included in value)
  - c) specific upgrades must be listed if adjustment is assigned
  - d) garage conversions or additions without evidence of that do not have the evidence of permits (see guidelines below regarding when and how to condition appraisal in this situation)
22. Net adjustment (total)
  - a) when the **net adjustment exceeds 15%** of sale price, the appraiser must comment as to why a more similar comparable was not used
  - b) when the **gross adjustment exceeds 25%** of sale price, the appraiser must comment as to why a more similar comparable was not used
  - c) comment when the dollar difference between the highest and lowest comparables after all adjustments exceeds 10% of the appraised value of the subject property
  - d) adjustments should be derived from the market via the extraction method and shall not be based on "appraiser judgment"
  - e) adjustments are not to be used to make a comparable fit to the sale price and/or asking price, but do not appraise under sale price by nominal amount if it falls in range of adjusted value
  - f) appraiser is to fully support and document estimate of value that considerably exceeds actual sale price amount which is provided by lender and/or purchase agreement
23. Adjusted Sales Price of Comparable
24. Comments on Sales Comparison
  - a) explain reasoning for adjustments
  - b) explain why more weight given to some comps as opposed to others (for example, the least adjusted comparable, the most current sale, two comps weighted toward one value indicator)
  - c) attach continuation addendum if needed
  - d) for any adjustments due to location, site, design/appeal, quality of construction, or condition explanation should be available and defensible.

**ANY EXPLANATION SHOULD BE AVAILABLE AND DEFENSIBLE.**

25. Sales history of subject & comps:
  - a) one year sales history of subject and comparables required
  - b) county records and/or city data search is acceptable
  - c) state the source researched
26. Indicated Value by Sales Comparison Approach
  - a) should be consistent with reasoning expressed in comments (see item 24 above)
  - b) use of averages, medians, modes is not appropriate appraisal practice

**Note: Any additions, upgrades, or other improvements (e.g., porches, pools, fireplaces, etc.) to comparables sales made *after* the date of sale should be mentioned in your appraisal report (for the benefit of a future field reviewer).**

**I. Indicated Value by Income Approach**

1. Generally not required by VA except for income producing properties (more than one living unit) for which the appraiser should use the Small Residential Income Property form. In that case, appraiser will use value estimates developed through ***both the income approach and the sales comparison approach*** in the final reconciliation

**J. Reconciliation Section (use addendum if necessary):**

1. Appraisal should be made either:
  - ***As is***, if there are no MPR repairs or other requirements. If so, a statement such as “No repairs or conditions” should be made on the “Conditions of Appraisal” line.
  - ***Subject to repairs, alterations, inspections, or conditions***, if the final value is contingent upon completion of such requirements. If so, these must be listed on the “Conditions of Appraisal” line or on a referenced addendum. Any repairs should be limited to those necessary to remedy an MPR deficiency. Conditioning for installation of customer preference items that were missing as of the date of appraisal is acceptable on new construction appraisals. Be sure to provide a fully itemized list.
  - ***Subject to completion per plans and specifications***, if the property was not complete (at least to the point of customer preference items) at the time of appraisal **and** the value was based upon a review of plans and specs furnished by the lender or builder.
2. Final Reconciliation correlates all approaches to value and explains which approach has been assigned the most weight and why.

**Note: Remember that VA relies exclusively on the sales comparison approach to value (except in very unusual circumstances involving inadequate or no comparable sales available or an extremely unique property). On a VA appraisal, the value estimate should never exceed that indicated by the sales comparison approach. This approach recognizes that a well-informed purchaser will generally pay no more for a property than the cost of acquiring a similar property of equal desirability and utility without undue delay. [Lender’s Handbook, page 11-9]. If either of the other two approaches to value are given any weight, provide a full explanation. A statement addressing that income and cost approaches were considered not applicable if appropriate.**

3. Final Estimate of Market Value should generally be the same as the indicated value by sales comparison approach (as explained in the above “Note”). The effective date of the report should be the date you inspected the property
4. Report must be signed and dated. Provide your State Certification or License number in the space indicated.
5. The Supervisory Appraiser section is not used for VA purposes.

## ◆ Use of Assistants

VA fee appraisers must comply with VA's policy concerning assistants. An appraiser who has relied on significant professional assistance from any individual in the performance of the appraisal or the preparation of the appraisal report must name the individual and the specific tasks performed in the reconciliation section of the report.

### ***The fee appraiser assigned by VA must personally***

- view the interior and exterior of the subject property and the exterior of each comparable
- select and analyze the comparables
- make the final value estimate, and
- sign the appraisal report as the appraiser.

The VA fee appraiser may not delegate any of these four important functions to an assistant, even though that person may be licensed or certified. The individual who signs the URAR as the appraiser must be the VA fee panel member who was assigned on the rotational basis by VA.

The URAR (and the accompanying Freddie Mac 439/Fannie Mae Form 1004B) acknowledges the use of assistants and that, in some States, it will still be viewed as complying with the intent of the Real Estate Appraisal Reform Amendments (Title XI) of FIRREA when an unlicensed or uncertified appraiser working as an employee or subcontractor performs a significant portion of the appraisal (or the entire appraisal, if he or she is qualified to do so), as long as the appraisal report is signed by a licensed or certified supervisory appraiser. While the URAR acknowledges this practice, be advised that ***this is not acceptable to VA.***

Essentially, the activities that an assistant can perform alone without the VA fee appraiser are extremely limited. VA will allow an assistant to sign a report as an assistant in order to document qualifying experience for future licensing and certification purposes. However, even in this situation, the primary signatory on the report must be the authorized fee appraiser. Failure to comply with VA's requirements in this area will constitute a basis for removal from the fee panel.

## **M26-7 Lenders Handbook, Chapters 10 through 13**

# CHAPTER 3

## LIQUIDATION APPRAISALS

### Basic Liquidation Appraisal Guidelines

Detailed instructions outlining specific VA requirements for performing liquidation appraisals are found in the Lender's Handbook, Section 11.13. The following highlights are offered for emphasis.

#### Realistic Appraisals

Realistic and objective appraisal reports that accurately reflect overall market conditions and the market value of the subject property are essential to the integrity and viability of the VA Loan Guaranty Program. Because of concerns over the accuracy of liquidation appraisal procedures, especially in areas experiencing soft market conditions, procedures are being implemented as stated below. Appraise all foreclosure or liquidation assignments for current market value as residential use.

#### Access to Interior

- Interior access to the property is critical in the liquidation appraisal process to ensure that a proper appraisal has been performed; and that all existing conditions of the subject property have been considered in the sales comparison analysis. A sample letter to assist in gaining access to occupied properties is shown on page 20.
- While it is expected that the fee appraiser, with assistance from the lender/servicer/holder should in most cases be able to gain access, there are some exceptions. These are listed in the Lenders Handbook along with specific instructions for documenting your access attempts (see "Liquidation Appraisal Addendum," below) and suggested means of estimating the interior condition. On vacant properties, permission to do an exterior-only appraisal may in rare instances be authorized by VA. Access attempts must be thoroughly documented on all vacant properties using the form shown on page 37.

#### URAR Must Be Made "As Is"

- All liquidation appraisals will be performed considering the subject property in its present "as is" condition. It is important to understand that by "as is" we simply mean that the property is to be considered as it presently stands with whatever physical inadequacies may exist, if any. Furthermore, the term "as is" does not imply that the property is necessarily in a poor state of repair. A property that is in a good state of repair with no physical inadequacies is also considered "as is." To arrive at the "as is" value, fee appraisers are to make appropriate adjustments in the sales comparison analysis to reflect needed repairs and/or physical inadequacies present in the subject property at the time of the appraisal. Both required MPR repairs **and** non-MPR (or cosmetic) repairs should be considered if they would enhance the value or marketability of the property to the typical buyer in the local real estate market.
- The fee appraiser will provide an itemized list of all repairs (MPR and non-MPR) considered necessary and which affect the marketability of the property. The itemized list will indicate the estimated cost to cure and the contributory value, if any, of each repair. In estimating the contributory value, it should be recognized that cost does not always equal value and that in some cases, several individual repair items must be considered in the aggregate before they are recognized by the general real estate market as contributing to value. The required format for the repair list is included as part of the Liquidation Appraisal Addendum [on page 11-28 of the Lender's Handbook].

## Selection of Comparables

- Comparables must be the best available in the subject's market area, considering typical transactions and actions of typical buyers and sellers.
- Comparables must not be restricted solely to those in a similar "as is" condition. A property in the immediate area but in a better condition than the subject may, with proper adjustments to the sales price, be a better indicator of value than a comparable in a similar condition but in a different area

## SLMP Cases

Remember that lenders/servicers/holders who are participating in the **Servicer Loss Mitigation Program (SLMP)** or who are authorized by VA to handle compromise sales or short sales are entitled to receive a full original report directly from the fee appraiser, after you have uploaded your report into E-Appraisal. [Refer to Tables 1 and 2 on pages 10-11.]

## Required Liquidation Addendum

In addition to the itemized repair list and the documentation on access attempts (see previous page), the Liquidation Appraisal Addendum requires the following additional information:

- **Emergency Repairs** - Beyond the MPR repairs and non-MPR repairs as discussed above, the fee appraiser must also provide a list and cost estimate of any emergency repairs that are required to preserve or protect the property from vandalism, extreme weather conditions or to protect the public.
- **Occupancy Information** - (if necessary, use "Comments/Continuations" section)
  - ⇒ If **vacant**, recommendations for draining the heating and plumbing systems, shutting off power lines, and locking doors and windows (this information may be included with the "emergency repairs")
  - ⇒ If **owner-occupied**, the occupant's name
  - ⇒ If **tenant-occupied**, period of occupancy, lease terms and expiration date, monthly rental, dates of payment and to whom payable.
- **Analysis of Competitive Listings or Contract Offerings** - Fee appraisers shall provide in all liquidation appraisal cases, in addition to the three closed sales on the appraisal report form, information on at least three competitive listings or contract offerings considered the most similar and proximate to the subject property and certain general market information as specified below. This information is intended to lend additional support to the value estimate and assist VA staff in evaluating competing market conditions and trends affecting the subject property (especially in areas that are experiencing significant market fluctuation, negative or positive). It is also intended to assist in ensuring that fee appraisers are rationalizing the closed sales data with current market conditions. **Note that competitive listings Addendum is required for all liquidation appraisals** (unlike origination appraisals, for which the Lender's Handbook mandates the use of a listings/offers addendum only if a time adjustment is made or if a "significant market transition is indicated"). Listing information and adjustments are to be provided on the URAR grid.

## Sample Letter Interior Access to Occupied Properties

You are to affix the letter below to the front door of occupied properties when you have not been able to contact the occupant(s).

Estate Appraisals  
South Main Street  
Toledo, OH 436231

Date: \_\_\_\_\_

Dear \_\_\_\_\_:

My name is: \_\_\_\_\_. I have been assigned by the Department of Veterans Affairs (VA) to complete an appraisal on your property because of the possibility of foreclosure action in the near future.

Please call my office at (419) 123-4567 within 24 hours to arrange for an appointment so that I may view the interior of your property, to enable you to receive a proper estimate of the value of your home.

Not allowing to view the interior of your home will not stop the foreclosure from taking place. In fact, your future liability to the government may increase, since I may need to make assumptions about the interior condition of the property if access is not gained.

If you have any questions concerning this appraisal assignment, please call the Department of Veterans Affairs at 1 (800) 729-5772, option #4.

Sincerely,

VA Fee Appraiser

# VA Appraisers Liquidation Information Sheet For Vacant Properties

VA File Number \_\_\_\_\_

Please use this form or format for all **Liquidation** assignments when the subject property is vacant. **Upon notice the holder is to contact the Fee Appraiser and provide assistance to the VA Fee Appraiser to gain access to the property. Failure to provide prompt access to the property may subject the lender to additional fees and costs.**

TO: Lender \_\_\_\_\_ Lender Case # (If Available) \_\_\_\_\_

Lenders Contact \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_

Property Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Upon Field inspection, the subject property appeared to be vacant. Please make arrangement for access so that I can complete the appraisal assignment.

Date Fax Sent to Lender \_\_\_\_\_ Appraiser's Signature \_\_\_\_\_

I have sent the lender a copy of this fax on date listed above. It has been 10 working days and I still have not gained access to the property.

Date Fax sent to VARO \_\_\_\_\_

Appraiser's Signature \_\_\_\_\_

## Contacts/Comments.

### Sample Format to Document Access Information for Subject Vacant Property

Local servicing agent access information noted on VA Form 26-1805 not correct. Called one 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.

Fax This Form to VA Every 10 Working days until case is canceled or access is gained.

Construction & Valuation Staff \_\_\_\_\_ Date \_\_\_\_\_

Comments \_\_\_\_\_

FROM: Appraiser \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_

[Liquidation Appraisal Addendum - Sample Format]

**LIQUIDATION APPRAISAL ADDENDUM FOR CASE NO. \_\_\_\_\_**

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

	<u>Date</u>	<u>Time</u>	<u>Phone</u>	<u>Contact</u>	<u>Comments</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____

**PROPERTY VACANT OR OCCUPIED?** \_\_\_\_\_ **PROPERTY SECURED?** \_\_\_\_\_

**REPAIRS NEEDED?** \_\_ (indicate emergency repairs with an asterisk by the number):

<u>Description</u>	<u>VA MPR Violation?</u>	<u>Est. Cost</u>	<u>Est. Contributory Value</u>
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
<b>Totals</b>		<b>\$ _____</b>	<b>\$ _____</b>

**ANALYSIS OF LISTINGS AND OFFERS:**

No. 1 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
Days on Market \_\_\_\_ Comparison with Subject

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

No. 2 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
Days on Market \_\_\_\_ Comparison with Subject

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

No. 3 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
Days on Market \_\_\_\_ Comparison with Subject

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**COMMENTS/CONTINUATIONS:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# CHAPTER 4

## MANUFACTURED HOUSING ON PERMANENT FOUNDATION

### Basic VA Requirements

Detailed instructions appear in the Lenders Handbook. Because the appraisal-related requirements are scattered throughout several Lender's Handbook Chapters, you may find the ***Manufactured Housing Summary Sheet*** on page 40 useful as an at-a-glance reference.

Other relevant information in regard to manufactured housing appraisals includes the following:

- As with all real property appraisals for VA, requests for will be made via VA Form 26-1805-1 (Request for Determination of Reasonable Value).
- Appraiser must state on the URAR that the subject manufactured home is or is not on a permanent foundation (including a permanent perimeter enclosure if required by the local authority).
- If the subject manufactured home is not on a permanent foundation, appraise it as if it were on an acceptable permanent foundation and condition your URAR "*subject to repairs . . .*"
- The sale of other manufactured homes on permanent foundations shall be used as comparables in the market data analysis. If the appraiser's report states that such comparables are not available, the appraiser may use the best comparables available and adjust as appropriate in the market grid.
- Perimeter enclosures must meet the requirements of the local authority and additionally must
  - ⇒ Be solid.
  - ⇒ Have adequate ventilation.
  - ⇒ Have an access to the crawl space.
- If there is no access to the foundation, contact the requester and have them make arrangements for access and have them contact you for a re-inspection of the foundation.
- Regular vertical or horizontal woven or slatted metal skirting are not acceptable (solid metal skirting is acceptable).
- The tongue, wheels and axles must be removed. Be sure to condition your URAR accordingly ("*subject to removal of . . .*")

# **MANUFACTURED HOUSING SUMMARY SHEET**

This sheet summarizes the various Lender's Handbook References regarding Manufactured Housing appraisal requirements. Consult the Lender's Handbook itself for the fully detailed instructions.

## **Basic Requirements** (Page 10-10)

To be eligible for a VA loan term of 30 years, a manufactured home must be

- **classified and taxed as real property**
- properly affixed to a **permanent foundation** (Section 12.10)
- substantially conform with VA MPRs (Chapter 12), and
- conform with applicable building code and zoning requirements for real estate

## **Specific Requirements**

**Existing Construction** (Page 12-20): Foundation for a manufactured home has been fully completed and the manufactured home unit has been installed. **Note: Always provide the date the unit was installed on the foundation.** There are two MPR-related requirements:

- The site, manufactured home unit, and other on-site improvements must meet VA MPRs for existing construction (Chapter 12).
- The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads, and is acceptable to the building authority having jurisdiction.

**Note:** If the fee appraiser has reasonable doubts as to the acceptability of the foundation system *where there are no local requirements*, a statement from a registered professional engineer is required. Considering their cost, such statements should be required only when necessary and not just as a measure of liability protection for fee appraisers

**Proposed or Under Construction** (Page 12-21): Foundation for a manufactured home has **not** been fully completed and the unit has **not** been installed. Appraisal will be based on plans and exhibits as well as inspection of the unit if on site. There are two MPR-related requirements:

- The site and on-site improvements (but not the manufactured unit itself) must meet the VA MPRs for proposed construction (Section 12.02).
- The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads, and is acceptable to the building authority having jurisdiction.

## **Required Exhibits Accompanying 26-1805-1** (Page 10-25)

Specific requirements for acceptable M.H. foundations are provided in chart form on pages 12-22 and 12-23.

## **Other Appraisal Requirements** (Page 11-19)

The appraiser must enter the manufactured home unless it is **both new and has not been delivered to the dealer or to the site**. If other M. H. on permanent foundations are not available for use as comparables, the appraisal report must so state, and show in the market analysis grid that the sales prices of the best conventional home sales available were properly adjusted.

# CHAPTER 5

## INDIVIDUAL PROPOSED CONSTRUCTION

### Basic VA Requirements

Detailed instructions appear in the Lenders Handbook, mostly in Chapters 10 and 11. Required construction exhibits, which should accompany the 26-1805, are listed and described in Section 10.10 pages 10-22 and 10-23. Appraisal requirements that are unique to proposed construction are covered on Section 11.11. The following highlights and/or supplemental guidelines are provided for reference:

- When appraising proposed construction cases, only those features incorporated in the plans and specifications are to be considered in the estimate of reasonable value.
- If the sales contract or plans and specifications are not in agreement with the existing construction, contact the requester for clarification or a change order.
- Note that VA Form 26-1852 Description of Materials is no longer required, but still the preferred method. The builder may use an alternate format as long as it is sufficiently detailed for VA appraisal and compliance inspection purposes.
- Plans and specifications should be 8 1/2 x 14, but not smaller than 8 1/2 X 14. Do not forward full size plans and specifications to VA.
- Appraise the property as **new construction (existing)** if customer preference items (e.g., carpet, wallpaper, kitchen appliances, light fixtures, etc.) are the only items to be completed. Plans and specs are **not** required to do the appraisal in these cases.
- Appraise all proposed construction cases as proposed if more than customer preference items remain to be completed (i.e. driveway, sheet rock, shingling of the roof, grading, etc.).
- Closed sales and any contracts for sale must clearly show any sales incentives, optional items, and type of financing so that their effect on the final estimate of value may be considered.

**Appraiser's Certification**

The following appraiser's certification must be placed next to the sketch on all VA proposed cases:

***"I hereby certify that the information contained in \_\_\_\_\_ specific identification of all construction exhibits (e.g., Smith Construction Plan Type A, 9 sheets, VA Form 26-1852 or other specifications, plot plan by Jones, Inc.)] was used to arrive at the estimate of reasonable value noted in this report."***

Appraiser's Signature	Date
-----------------------	------

**Certification From Architect, Surveyor, Land Planner, or Engineer**

Additionally, in all proposed constructions cases, VA will require certifications from architects, surveyors, land planners, or professional engineers, or other technically qualified individuals approved by VA for such purposes, that the drawings or plans and related specifications submitted are in conformity with applicable VA MPRs. The certification will read as follows:

***"I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping."***

Plan Certifier's Signature	Certifier's Title	Code Number	Date of Certification
-------------------------------	-------------------	-------------	-----------------------

Note: VA will accept HUD Form 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification. disciplinary action for cause upheld

# CHAPTER 6

## LAPP APPRAISAL ISSUES

### Special Requirements Specific to the Lender Appraisal Processing Program (LAPP)

#### ◆ The Role of the LAPP Staff Appraiser Reviewer (SAR)

Generally the LAPP SAR must ensure that:

- the fee appraiser has met VA timeliness requirements (Received, Appraised and uploaded (RAU))
- the URAR and all required attachments and addenda are complete and correct
- the appraiser's methodology is appropriate and reasonable and that conclusions are consistent with data
- the appraiser has complied with current VA instructions and USPAP requirements
- the appraiser's opinion of market value is consistent with the current standard definition of market value and VA's regulatory definition of reasonable value

#### ◆ Contact and Cooperation with the LAPP SAR

- LAPP SARs are expected to take reasonable steps to resolve problems detected during their appraisal reviews. While branch office staff and authorized agents may contact the fee appraiser about the timeliness or status of a particular appraisal, only the LAPP lender's VA-authorized Staff Appraisal Reviewer (SAR) or Point of Contact (POC) may contact the Fee Appraiser to discuss valuation matters.
- LAPP SARs should contact VA fee appraisers directly when any information, or methodology, or conclusion contained in an appraisal report requires clarification, correction, or additional support in order for the SAR to make a prudent decision on the reasonableness of the fee appraiser's market value estimate.
- VA fee appraisers are expected to be cooperative with lenders in addressing SAR concerns regarding the content of appraisal reports or timeliness in the completion of their assignments. Lenders are expected to take reasonable steps to mitigate discrepancies encountered with an appraiser's report.
- VA should not be considered a "referee" between the lender and fee appraiser in resolving routine issues.
- In any case where the SAR determines that substantive problems with the fee appraiser's report are not correctable through reasonable interaction with the appraiser, the lender will forward the original appraisal report to the C&V Section of the VA office of jurisdiction. The lender's submission will include a written report clearly outlining the difficulties encountered, and the date and outcome of each contact made with the fee appraiser. This will assist VA in monitoring fee appraiser performance and determining what, if any, administrative action may be warranted.

***Any revisions, corrections, or clarifications made by a fee appraiser to the appraisal report must be furnished to the lender in writing.*** The SAR will attach the revision to the original appraisal report and forward the entire package to VA. ***Any case in which VA determines that relevant appraisal documentation has been withheld will constitute an unacceptable act and will be considered a basis for administrative action against the lender, the fee appraiser, or both.***

## **Fee Appraiser Requirement TIDEWATER INITIATIVE**

- Prepare an updated report incorporating the original case number and using one of the three reporting options in AO-3.
- The new report may generally be restricted to analysis of the new data submitted to or obtained by the appraiser. A new Uniform Residential Appraisal Report (URAR) is not necessarily required, as the original URAR may be included by reference as noted in AO-3, under “Reporting Requirements” paragraph 3.
- As stated in Circular 26-03-11, if additional sales data is submitted by a lender directly to the fee appraiser in a format similar to the comparable sales grid on the URAR, the fee appraiser is required to provide a response (report) within 5 working days.
- If analysis of additional data does not support an increase in value, an explanation on company letterhead supporting the decision must be included in the report.

## **LAPP Reconsideration of Value**

Specific and detailed instructions for handling LAPP reconsiderations of value are provided in Chapter 13 of the ***Lenders Handbook, Section 13.09***. This includes the roles and responsibilities of the LAPP lender, the Fee Appraiser, and VA. The following points are mentioned here for emphasis or to supplement the Lender’s Handbook material:

- LAPP SARs are authorized to issue the NOV with a difference of up to 5% of the appraised value with adequate documentation. This adjustment can be done with or without the appraisers additional input.
- Remember that any requests for reconsideration of value on a LAPP case must be handled by the LAPP SAR who issued the Notice of Value on that case. The SAR may contact you to discuss your value conclusion or any other aspect of your appraisal methodology, including comparable selection, adjustments, repairs, etc. The SAR may also ask you to consider additional sales that closed after the date of your report. If contacted by the SAR for a reconsideration of your appraised value, regard this as an opportunity to review your work before it is sent to VA for our review. Please return a copy of the request to the LAPP lender along with your recommendations.
- All requests for reconsideration of value ***must be in writing***, and may be initiated by any party of interest to the transaction.
- ***Note: VA staff is required to review all LAPP cases involving a change in value. All VA Fee personnel will comply with Circular 26-04-04, May 7<sup>th</sup>, 2004, Request For Reconsideration Of Value on VA appraisals.***

## **Related Policy**

- It is VA policy that fee appraisers process ROV requests on their prior assignments without additional compensation, unless the accompanying data was not available at the time of original report.
- As stated in Circular 26-03-11, a reasonable fee may be charged by the fee appraiser when the ROV request contains data to be reviewed that was not available at the time of the fee appraiser’s report.
- Any party of interest may request a ROV by written communication, ***through*** the lender, to the appraiser.

# CHAPTER 7

## TIMELINESS AND E-APPRAISAL

### Timeliness Guidelines

#### *Delays Requested by Lender, Builder, etc.:*

If the requester asks you to delay the appraisal assignment for any reason (e.g., seller is on vacation, customer preference items not yet installed, etc.) **and** this delay results in the appraisal report not meeting VA timeliness standards of 5 business days of receipt of assignment, you should:

- require the requester to provide you a **written request** for such delay and
- include a copy of the request in your appraisal package.

If the expected delay would result in the appraisal missing VA timeliness standards **by seven or more calendar days**, you should contact your VA office of jurisdiction for guidance prior to agreeing to such request.

**Note:** When access to the property has been delayed for **any reason beyond your control**, the appraisal report must be submitted no later than five business days after access to the subject property has been achieved.

#### *Reassignment of Untimely Appraisals:*

In the event a requester contacts VA for assistance with a **late appraisal** (i.e., one that has not been received by VA or by the LAPP lender within the prescribed time frame) and

- the requester claims non-responsiveness on the part of the assigned Fee Appraiser (or inability to even make contact), and
- VA, after reasonable attempts, is likewise unable to contact the appraiser or to otherwise ascertain whether or not the appraisal has been completed,

**that appraisal is subject to reassignment to another appraiser. Additionally, the original appraiser's fee will be forfeited and a timeliness error will be charged.**

**Upload all appraisal types via “E-APPRAISAL” under “Applications”.  
See attached Information Letter 26-04-14**

## Submission– E-Commerce Cases

- All E-Appraisal uploaded appraisal packages are to be assembled and submitted in the following order.

### **Appraisal Report And Required Exhibits (In This Order):**

1. The appraisal request (VA Form 26-1805-1), is not required. **DO NOT SUBMIT WITH PACKAGE**
2. A properly completed appraisal report, using one of the following forms, as applicable:
  - Uniform Residential Appraisal Report (URAR), Freddie Mac Form 70 / Fannie Mae Form 1004, unless the property is a condominium unit or is income-producing (more than one living unit).
  - Individual Condominium Unit Appraisal Report, Freddie Mac Form 465 / Fannie Mae Form 1073, if the property is a condominium unit.
  - Small Residential Income Property Appraisal Report, Freddie Mac Form 72/Fannie Mae Form 1025, if the property has two to four living units.
3. A building perimeter sketch showing the “footprint” of the improvements. The calculation for the square foot size of the property must also be shown either here or in the “Comments on Cost Approach” section of the URAR.
4. PHOTOGRAPHS - In proposed construction cases, a front view photograph of each comparable is required but photographs of the subject property are not required if there are no improvements under construction. If the property is in a condominium more than three units high, no photographs of the comparables are required, provided they are located in the same project as the subject property and are substantially identical to the subject property. In all other cases, each appraisal report requires:
  - one set of photographs of the subject property showing a front and back view (preferably including a different side view in each photograph) and the street scene, and
  - one set of photographs of each comparable. Only a front view of the comparables is required.
  - photo of any significant locational influence that affects subject property value (example: views, freeways, businesses, etc.)
  - photo of any significant structural defect or other problem area that you feel is important (example: mold, rubbish, gutted interior etc.)
5. Any VA-required Addenda that provide additional appraisal or repair-related information in support of the fee appraiser’s conclusions. (Client Requirements, Liquidation Addendum)
6. A properly completed Statement of Limiting Conditions and Appraiser’s Certification, Freddie Mac Form 439/Fannie Mae Form 1004B.
7. Location map indicating subject and comparables.
8. Data source printout of subject property when access has not been not obtained. (Liquidation cases only).
9. All other supporting data.
10. Invoice (you should still send an individual invoice to requester).

## **The Appraisal Report And Required Exhibits:**

1. The appraisal request (VA Form 26-1805-1), if provided by the requester. The appraiser must confirm, and correct if necessary, all information provided by the requester which is pertinent to the value estimate.
2. A properly completed (neatly typed, as required by the revised Lenders Handbook) appraisal report, using one of the following forms, as applicable:
  - Uniform Residential Appraisal Report (URAR), Freddie Mac Form 70 / Fannie Mae Form 1004, unless the property is a condominium unit or is income-producing (more than one living unit).
  - Individual Condominium Unit Appraisal Report, Freddie Mac Form 465 / Fannie Mae Form 1073, if the property is a condominium unit.
  - Small Residential Income Property Appraisal Report, Freddie Mac Form 72/Fannie Mae Form 1025, if the property has two to four living units.
3. A building perimeter sketch showing the “footprint” of the improvements. The calculation for the square foot size of the property must also be shown either here or in the “Comments on Cost Approach” section of the URAR.
4. PHOTOGRAPHS - In proposed construction cases, a front view photograph of each comparable is required but photographs of the subject property are not required if there are no improvements under construction. If the property is in a condominium more than three units high, no photographs of the comparables are required, provided they are located in the same project as the subject property and are substantially identical to the subject property. In all other cases, each appraisal report requires:
  - one set of original photographs of the subject property (two sets in LAPP cases) showing a front and back view (preferably including a different side view in each photograph) and the street scene, and
  - one set of original photographs of each comparable. Only a front view of the comparables is required.
  - photo of any significant locational influence that affects subject property value (example: views, freeways, businesses, etc.)
  - photo of any significant structural defect other problem area that you feel is important (example: mold, rubbish, gutted interior etc.)
5. Any VA-required Addenda that provide additional appraisal or repair-related information in support of the fee appraiser’s conclusions. (Client Requirements, Liquidation Addendum)
6. A properly completed Statement of Limiting Conditions and Appraiser’s Certification, Freddie Mac Form 439/Fannie Mae Form 1004B
7. Location map indicating subject and comparables
8. Data source printout of subject property when access has not been not obtained. (Liquidation cases only).

***Note: While the Fee Appraiser’s complete appraisal file including data source print-outs of comparables, sales contract, and disclosure statements, need not be submitted with the Appraisal Report, these items must be made available to VA or to the SAR upon request.***

# CHAPTER 8

## FEE APPRAISER RESPONSIBILITIES

### What is Expected of the Fee Appraiser

#### ◆ Appraisal Reports

The Fee Appraiser must view the interior and exterior of every existing construction subject property. In addition, the Fee Appraiser is responsible for all aspects of the appraisal process, including the final estimate of value.

***Important: Certain appraisal functions may not be delegated to anyone else. Failure to comply with this requirement will subject you to immediate LDP action.*** Specifically, the Fee Appraiser assigned by VA must ***personally***:

- Visit and observe the interior and exterior of the subject property and the exterior of each comparable. (The sole exceptions are on liquidation cases where entry to the subject property has been denied or may otherwise not be possible).
- Select, visit, observe, and analyze each of the comparable sales used in the report
- Complete the Market Data Analysis
- Make the final value estimate, and
- Sign the appraisal report as the appraiser.
- Any non-clerical work done by anyone other than the appraiser must be documented in an addendum.

#### ◆ Repair Inspections

When VA issues a Notice of Value (NOV) or a LAPP Staff Appraisal Reviewer (SAR) issues a LAPP Notice of Value (NOV) that includes repairs, the Fee Appraiser may be requested to certify that those repairs have been completed. In these cases,

- You should be careful to address the repairs ***as stated on the VA NOV or LAPP NOV (not*** as they were stated on your URAR - some of them may have been changed!).
- Your certification for completion of repairs (on your letterhead) should be sent to the requester. Do not upload the repair certification.
- Fee Appraisers are ***not*** authorized to accept or approve a request for a waiver of repairs or other appraisal conditions. Such requests must come to VA for review or in some cases SARs.

#### ◆ Additional Requirements

- Your VA ID Number must be placed next to your name on all correspondence sent to our office.
- Appraisal requests not assigned to you in TAS must be verified by VA before accepting the assignment.

#### ◆ Representing VA

You do ***not*** have the authority to speak to anyone or any group *in an official capacity* representing VA in regard to VA appraisal regulations, procedures, or policies. This includes newspapers, magazines, or organizations of lenders, builders, or Realtors.

## **Fees and Payment Issues**

### ◆ **Fee Schedule**

- Maximum Fees for VA Appraisals and Inspections are established by each VA Regional Loan Center for their area of jurisdiction. Current VA appraisal fees are listed in Information Letter 26-03-01.
- In unusual or complex appraisal or inspection situations that are not specifically covered by the local Fee Schedule, fees will be set by the Valuation Officer. Similarly, any mileage fees (other than those that may be specifically authorized within the Fee Schedule issued by your RLC) must be approved in writing by the Valuation Officer. In all such cases, prior to beginning work on the assignment, the Fee Appraiser should obtain written acknowledgment from the requester that they are aware of these VA-authorized fees and that they have agreed to them.

### ◆ **Payment Assistance Policy**

- When a particular requester has been *consistently* untimely in paying appraisal fees, you may contact the RLC in writing (or by e-mail), documenting ***two or more*** specific instances where that requester has been late in making payment. Upon receipt of a sufficiently documented request, VA will assist in the collection of the fee.
- **Under no circumstances, however, may a VA Fee Appraiser (without specific written VA authorization) delay completion of an assignment or withhold release of a completed appraisal report because of untimely payment of an appraisal fee on a prior case.**

## **Desk and Field Reviews of Appraisal Reports**

Every appraisal report will be desk-reviewed by a LAPP Lender's Staff Appraiser Reviewer (SAR), by a VA Staff Appraiser, or both, to verify that

- the report was submitted timely
- that the Fee Appraiser's conclusions of value are consistent, sound, supportable, and logical
- the report was prepared in accordance with acceptable appraisal techniques and standards (USPAP) as well as specific VA instructions.

In addition, all appraisal reports are subject to field review by VA staff or by the LAPP lender.

## Quality Control and Standards

All appraisal reports are reviewed for both Work Quality and Timeliness. Non-acceptable quality or timeliness findings in any appraisal will be classified as Negative Work Quality Findings or Negative Timeliness Findings. All Negative Work Quality Findings are further categorized according to their significance into **Substantive** or **Non-Substantive** Findings.

- ◆ A **Substantive** negative work quality finding will generally be assessed where VA has determined that the fee appraiser made a serious error of fact or methodology that materially impacts the appraised value or condition of the property. Examples include, but are not limited to:
  - Fraudulent reporting (misrepresentation of a material fact in the appraisal)
  - Appraising the wrong property
  - Failing to require necessary MPR repairs that may result in damage to the veteran
  - Repeating or failing to correct non-substantive errors after notification by VA
  - Continued disregard for VA instructions or requirements after they have been called to the Appraiser's attention
  - Serious USPAP violations
  
- ◆ A **Non-Substantive** finding is generally one in which VA has determined that the fee appraiser made a relatively minor error of fact or methodology that did not impact the final value or the reported condition of the property. Examples include, but are not limited to:
  - Failing to provide required information on the URAR (e.g., Remaining Economic Life, HOA dues on PUD appraisal)
  - Misreporting of distances between subject and comps
  - Inconsistency within the URAR (e.g., room count differs from page 1 to page 2) \*\*
  - Failing to adequately describe reasoning in support of adjustments \*\*
  - Using time adjustments not supported or documented by pending sales or listings \*\*
  - Making insupportable or "wrong-way" adjustments (plus instead of minus or vice versa) \*\*
  - Minor USPAP violations

[ \*\* Note: The errors marked \*\* could also be deemed substantive, depending on the degree to which value is impacted. ]
  
- ◆ Documented negative timeliness or quality findings can form the basis for administrative action by VA against a Fee Appraiser. Additionally, an appraiser who exhibits chronically deficient Customer Service, as evidenced by documented unprofessional conduct or repeated complaint calls and letters from program participants, may also be subject to administrative action. [A further discussion of Administrative Actions appears in Chapter 6.]

## **Contact with Lenders and Other Parties of Interest**

**At the time of the appraisal you should willingly accept, from any party of interest, any information they want to provide. This will lead to better customer service, and reduce the number of complaints.**

***Fee Appraisers may not discuss valuation, conditions, or any other issue relating to the contents of their reports with anyone except for VA Staff, the LAPP Lender's Staff Appraiser Reviewer (SAR) or the Point of Contact per Information Letter 26-04-04.***

Parties of interest ***other than the VA, SAR or POC*** may contact fee appraisers only to inquire about the status of the assignment and the expected time frame for completion. If one of these other parties attempts to engage you in a discussion of the appraisal contents, you should ***politely decline to discuss*** the report and refer them to the LAPP SAR or to VA. There are ***two partial exceptions*** to this rule:

- Once the appraisal report has been submitted to the LAPP lender and ***after*** the LAPP NOV has been issued, the Lenders Handbook permits ***any party of interest*** to request reconsideration of value from the Fee Appraiser. While such requests should come to you ***through the LAPP lender***, you might on occasion be contacted directly. In that event, you should politely explain that the value reconsideration process can be coordinated best and most efficiently through the LAPP SAR (and that under the LAPP program, the VA Lender's Handbook does in fact ***require the issue to be handled in that way***). [See page 19 for further information on LAPP reconsiderations of value.]
- Parties of interest other than the SAR ***may*** contact fee appraisers for clarification of repair requirements and/or to schedule repair inspections, after the NOV has been issued. You should cooperate on such requests.

***Note: LAPP lenders are responsible for the actions of their authorized agents, correspondents, and affiliates.***

## **Complaints**

The VA Regional Office shall consider a lender's valid report of complaint as a basis for administrative (disciplinary) action. Administrative action, if appropriate, shall be based upon a thorough VA review of:

- the facts and evidence presented in support of the allegation(s)
- full consideration of any response provided by fee appraiser.
- the number of previous cumulative negative findings and/or complaints documented in the fee appraiser's performance folder

Refer to Chapter 6 for further information regarding possible administrative actions arising from validated complaints.

# CHAPTER 9

## ADMINISTRATIVE ACTIONS

VA appraisal quality standards, including specific definitions and examples of **substantive** and **non-substantive** errors are discussed in Chapter 3, Quality Control Standards. Additional examples of unacceptable conduct or performance in the areas of timeliness, quality, or customer service have been described throughout the preceding chapters. VA expects all Fee Appraisers to adhere to our general guidelines in all of these areas. Failure to comply will form the basis for administrative action on the part of VA. Repeated violations will result in progressively more severe action. The following summary of deficiencies is not all-inclusive but is intended to supplement the examples given in Chapter 3:

- Substantive violation(s) of established VA policies or procedures.
- Substantive negative work quality finding(s) of a nature that would materially or significantly impact the value or condition of the property.
- A series of non-substantive negative work quality findings which in the aggregate would establish a pattern of careless or negligent performance.
- Technical incompetence (i.e. appraisal reports which demonstrate insufficient knowledge of industry-accepted principles, techniques, and practices).
- Improper conduct (i.e. conduct or behavior not befitting a professional and/or not in the best interest of VA or of VA program participants).
- Continued disregard for VA requirements after they have been called to the appraiser's attention.

In instances where an appraiser chooses to disregard these guidelines, VA is mandated to take corrective action. VA has discretion to employ a wide variety of administrative (i.e., disciplinary actions) as circumstances dictate. Some of these include the following:

- **Withholding of Appraisal Assignments** -- imposed by the Valuation Officer for period of **up to 60 days**.
- **Limited Denial of Participation (LDP)** -- imposed by the Director of the Regional Office for a period of **one year**.
- **Debarment/Suspension** -- imposed by the Director of the Regional Office for a **minimum period of one year**.

### **Disciplinary Due Process**

Any Fee Appraiser receiving notification that assignments are being withheld, or that other administrative or disciplinary action is being taken, will be afforded the opportunity to appeal the action in writing, or in person, or both by requesting a meeting with the Fee Roster Committee at the VA office of jurisdiction.

The Fee Roster Committee typically consists of the Loan Guaranty Officer, the Assistant Loan Guaranty Officer (or another member of Loan Guaranty management), and the Valuation Officer. Appellate rights and procedures will be explained in detail within the disciplinary action letter.

If, after all due process and appellate procedures have been exercised, the disciplinary action is upheld, that Fee Appraiser is subject to having his or her name -- and the reason for the disciplinary action -- reported to the state licensing authorities and/or to any professional appraisal organizations of which the

appraiser is a member.



DEPARTMENT OF VETERANS AFFAIRS  
Regional Office  
1240 East Ninth Street  
Cleveland OH 44199

January 3, 2003

In Reply Refer To: 325/26  
Information Letter 26-03-01

**TO: ALL VA PROGRAM PARTICIPANTS**

**SUBJ: REVISED SCHEDULE OF MAXIMUM VA APPRAISAL FEES FOR DELAWARE, INDIANA, MICHIGAN, NEW JERSEY, OHIO AND PENNSYLVANIA.**

1. **PURPOSE:** Effective January 21, 2003, the following appraisal fees and compliance inspection fees are in effect for Delaware, Indiana, Michigan, New Jersey, Ohio, and Pennsylvania.

**2. INDIVIDUAL APPRAISAL FEES FOR SINGLE FAMILY EXISTING CONSTRUCTION, PROPOSED CONSTRUCTION, AND LIQUIDATION APPRAISALS:**

	<u>Existing/Proposed</u>	<u>Liquidation</u>
• Indiana	\$300.00	\$325.00
• Michigan	\$300.00	\$325.00
• New Jersey	\$300.00	\$325.00
• Ohio	\$300.00	\$325.00
• Philadelphia/Delaware	\$300.00	\$325.00
• Pittsburgh	\$300.00	\$325.00

**3. INDIVIDUAL APPRAISAL FEES FOR TWO-FOUR FAMILY EXISTING CONSTRUCTION, PROPOSED CONSTRUCTION, AND LIQUIDATION APPRAISALS:**

	<u>Existing/Proposed</u>	<u>Liquidation</u>
• Indiana	\$450.00	\$475.00
• Michigan	\$450.00	\$475.00
• New Jersey	\$450.00	\$475.00
• Ohio	\$450.00	\$475.00
• Philadelphia/Delaware	\$450.00	\$475.00
• Pittsburgh	\$450.00	\$475.00

**4. INDIVIDUAL APPRAISAL FEES FOR CONDOMINIUM EXISTING CONSTRUCTION, PROPOSED CONSTRUCTION, AND LIQUIDATION APPRAISALS:**

	<u>Existing/Proposed</u>	<u>Liquidation</u>
• Indiana	\$325.00	\$350.00
• Michigan	\$325.00	\$350.00
• New Jersey	\$325.00	\$350.00
• Ohio	\$325.00	\$350.00
• Philadelphia/Delaware	\$325.00	\$350.00
• Pittsburgh	\$325.00	\$350.00

**5. MANUFACTURED HOME ON PERMANENT FOUNDATION:**

	<u>Existing/Proposed</u>	<u>Liquidation</u>
• Indiana	\$300.00	\$325.00
• Michigan	\$300.00	\$325.00
• New Jersey	\$300.00	\$325.00
• Ohio	\$300.00	\$325.00
• Philadelphia/Delaware	\$300.00	\$325.00
• Pittsburgh	\$300.00	\$325.00

**6. COMPLIANCE INSPECTION FEE AND REPAIR CERTIFICATION FEE:**

• Indiana	\$65.00
• Michigan	\$65.00
• New Jersey	\$65.00
• Ohio	\$65.00
• Philadelphia/Delaware	\$65.00
• Pittsburgh	\$65.00

**7. LATE CHARGES:** Lenders and other appraisal requesters should note that VA Form 26-1805-1 (Request for Determination of Reasonable Value) states:

*“On receipt of a “Certificate of Reasonable Value” or advice from the Department of Veterans Affairs that a “Certificate of Reasonable Value” will not be issued, we agree to forward to the appraiser the approved fee for which we are holding for this purpose.”*

Recently we have noted an increase in collection activity for the non-payment of appraisal fees properly due VA Fee Appraisers from some lenders and mortgage holders. Therefore, *effective with appraisal assignments ordered on or after the effective date of this release*, appraisers and other fee personnel are authorized to collect a reasonable late charge for fees that are not paid promptly. Reasonable “late charges” are defined as no greater than \$15.00 per month after 60 days have elapsed from the date of billing. Further, in those cases where VA has documented evidence of non-compliance with this policy, fee appraisers may be given authorization to collect their fee prior to the performance of the appraisal.

**8. TRAVEL OUTSIDE OF ASSIGNED COUNTIES:** A \$20.00 fee as compensation for travel will be allowed where the appraiser or compliance inspector is required to appraise or inspect an individual property in a county other than the county or counties where they have been authorized to receive appraisal assignments on the standard VA rotational basis. Appraiser Examples: 1) Counties A, B and C are assigned to you by VA as your regular territory as shown in The Appraisal System (TAS). You are NOT allowed a \$20.00 fee for appraisals or inspections completed on properties located in counties A, B, or C. 2) Counties A, B and C are assigned to you by VA as your regular territory as shown in The Appraisal System (TAS). VA assigns a case to you in county D. You are allowed to collect an additional \$20.00 fee.

**9. RESCISSIONS:** This information letter rescinds Cleveland Informational Letter 26-97-2, January 10, 1997; Indianapolis Loan Guaranty Bulletin 26-94-1, January 4, 1994; Newark Loan Guaranty Issue 2-94, February 1, 1994; Philadelphia Loan Guaranty Bulletin 5-94, February 1, 1994; Detroit Loan Guaranty Information Letter 26-00-09, May 10, 2000, and Pittsburgh Loan Guaranty Division Letter No 1505, July 3, 2002.

**10. QUESTIONS?** The Cleveland VA Office is open weekdays from 8:00 a.m. to 4:30 p.m. Eastern time. The telephone number is 1 (800) 729-5772. Please feel free to contact Assistant Valuation Officers Mr. Joe Print (X3893) or Mr. Joe Major (X3974) with any questions or concerns you might have. Thank you for your continuing participation in our VA Loan Guaranty program.

/s/

JAMES L. BRUBAKER, JR.  
Loan Guaranty Officer



**DEPARTMENT OF VETERANS AFFAIRS**  
Regional Office  
1240 East Ninth Street  
Cleveland OH 44199

August 19, 2004

**In Reply Refer To:** 325/262  
Information Letter 26-04-14

**TO: All VA Program Participants**

**SUBJ: New Procedures for Submission of E-Appraisal Reports**

**1. PURPOSE:** The purpose of this release is to provide information on the new procedures for electronic submission of appraisal reports by VA fee appraisers and appraisal reviews by Lender Appraisal Processing Program (LAPP) Staff Appraisal Reviewers (SARs). This process replaces the current process of appraisals being sent directly to lenders and Regional Loan Centers (RLCs). Effective Monday, August 30, 2004, fee appraisers will be able to electronically submit appraisals to one centralized web site through VA's new E-Appraisals application on the Veterans Information Portal (VIP) in lieu of to their local RLC e-mail account. The Portal web site is <http://vip.vba.va.gov> and E-Appraisals will be located under "Applications".

**2. Background:** E-Appraisals is the next generation in the E-Commerce Appraisal program implemented on August 1, 2001. Under E-Commerce, VA fee appraisers were required to electronically submit appraisals to the lender, if provided lender e-mail address, and to the local RLC using a Portable Document Format (PDF). With E-Commerce, appraisal delivery to the lenders and VA was expedited and appraisal turn-around times greatly reduced. In sum, E-Commerce benefited many veterans by providing prompt and better appraisal service to lenders.

**3. Details:** E-Appraisals is the next advancement in our continuing process of improvement in appraisal delivery and customer service. Instead of e-mailing appraisals to the respective e-mail account for each local RLC and to each lender, under E-Appraisals, fee appraisers will now submit their appraisals to one centralized VA web site. This will enhance our ability to track and monitor all incoming appraisals. Additionally, E-Appraisals will interface with The Appraisal System (TAS) and, upon receipt of an appraisal, TAS will show it as "pending review." With E-Appraisals lender SARs can immediately proceed to review the appraisal and issue the Notice of Value. SARs will no longer have to wait to receive an appraisal sent to them by the appraiser or lender agent. An E-Appraisals help guide will be available on VIP under the E-Appraisals Applications "Help" button. E-Appraisals will require no added lender expenses or investment in any new computer technology, equipment or software as E-Appraisal files will continue to be submitted in PDF format.

**4. Actions:**

a. On or shortly after August 30, 2004, VA fee appraisers and LAPP lender SARs should access the VA Portal web site: <http://vip.vba.va.gov> and begin using E-Appraisals under Applications. If any problems are encountered with the E-Appraisals Application, please contact the Construction and Valuation Unit TAS Help-Desk of the local RLC.

b. VA fee appraisers must begin to utilize E-Appraisals for electronic transmission of all VA appraisals as soon as practicable, but no later than October 1, 2004. All appraisals will continue to be in Adobe Acrobat PDF Format and must be submitted as full and complete appraisal reports. Submission of partial appraisal reports, appraisal addenda or correspondence to E-Appraisals is unacceptable. For a short period of time pending TAS system upgrades, when the lender's e-mail address is shown on VA Form 26-1805, Request for Determination of Reasonable Value, appraisers are required to e-mail the lender a notification that the appraisal has been uploaded through E-Appraisals. If no lender e-mail address is shown, appraisers are to contact the requester and obtain the lender's e-mail address prior to appraisal completion.

c. Lender SARs must begin using E-Appraisals for review of appraisals submitted via E-Appraisals as soon as possible, but no later than October 1, 2004. Use of E-Appraisals by LAPP lenders is mandatory after that date and all Notices of Value must be issued by SARs using TAS. Lenders may continue to follow-up directly with fee appraisers for status on appraisals shown in TAS as not received in E-Appraisals and pending review. Appraisals shown in TAS as in E-Appraisals and pending review will be available for SAR appraisal review and issuance of Notices of Value.

d. When using E-Appraisals, upon appraisal receipt and review, lender SARs should immediately download, save and print the appraisals for their files. Due to limitations of the E-Appraisal system, lenders will be responsible for retention of their own appraisal documents and should implement procedures for this. E-Appraisals only retains the most current appraisal. When a new or updated appraisal is received, the previous appraisal of record is automatically superseded and no longer accessible by the lender.

**5. Questions:** Any questions regarding the implementation of E-Appraisals may be directed to the Cleveland C&V staff by e-mail at [325c&vgeneral@vba.va.gov](mailto:325c&vgeneral@vba.va.gov) or by telephone at (216) 522-3610, option 4.

/s/

JAMES L. BRUBAKER, JR.  
Loan Guaranty Officer



DEPARTMENT OF VETERANS AFFAIRS  
Regional Office  
1240 East Ninth Street  
Cleveland OH 44199

November 26, 2004

In Reply Refer To: 325/262  
Information Letter 26-04-19

**TO: ALL VA PROGRAM PARTICIPANTS DOING BUSINESS IN OHIO,  
DELAWARE, INDIANA, MICHIGAN, NEW JERSEY AND  
PENNSYLVANIA**

**SUBJ: RESTATEMENT OF POLICY REGARDING VA AS THE CLIENT ON VA  
APPRAISALS**

**1. Purpose:** The purpose of this release is to remind VA program participants of important VA policy as contained in the VA Circular 26-04-05 dated May 7, 2004. That VA circular, containing the information below, was released as a result of a change in the Uniform Standards of Professional Appraisal Practice (USPAP) for 2004. Specifically:

- a. VA will now be named as the client on the Uniform Residential Appraisal Report (URAR).
- b. The intended user of the appraisal will be shown by type on the URAR, not by name. This should eliminate most requests for lender/client name changes on the URAR when the case is reassigned between lenders.
- c. This will avoid any conflict with the prohibition on using "readdressed appraisals", as stated in USPAP and as communicated by the Appraisal Standards Board (ASB) in Advisory Opinion 26 (AO-26) - Readdressing (Transferring) a Report to Another Party.

**2. Background:** To sell their loans on the secondary market, lenders have typically required an appraisal report that supported the value and contained the name of their institution as the lender/client.

- a. VA has conferred with the major purchasers of VA guaranteed loans on the secondary market and none have a requirement that the lender's name be on the appraisal for a VA guaranteed loan.
- b. USPAP Standards Rules 1-2(a) and 1-2(b); 7-2(a) and 7-2(b); and 9-2(a) require an appraiser to identify the client, intended users, and intended use.
- c. It has always been the position of VA that the client on VA appraisals is The Department of Veterans Affairs. This is supported by VA requirements that appraisal assignments be made by VA from VA fee appraiser panels and that appraisals must be conditioned with VA minimum property requirements.
- d. The intended use for VA appraisals has always been for residential loan purposes and the intended user has always been any approved VA lender. This has not changed.

- e. In the past appraisers were able to easily change the name of the lender on the URAR, but under new USPAP requirements appraisers can no longer simply make a lender/client name change.

**3. New Fee Appraiser Requirement:**

- a. Fee appraisers will insert “Department of Veterans Affairs” after lender/client on the URAR on all VA case assignments.
- b. Fee appraisers will identify the type of intended user by inserting “Intended User - Any VA approved lender” on the lender/client line following “Address”.

**4. Related Policy:**

- a. There is no change in the procedures for ordering an appraisal/case number by requesters in TAS.
- b. Lender’s that continue to require their name on the URAR must negotiate and pay the appraiser directly and may not charge the veteran. VA will not object to the appraiser accepting this new assignment.

**5. What if There are Questions?**

***Questions concerning this information letter may be directed to the Construction and Valuation Section (C&V) by e-mail at 325CNV@VBA.VA.GOV or by telephone at 216-522-3610, option #4, or toll free at 1-800-729-5772, option #4.***

/s/

JAMES L. BRUBAKER, JR.  
Loan Guaranty Officer

***NEW PROCEDURES FOR IMPROVING COMMUNICATION WITH FEE APPRAISERS  
AND STREAMLINING RECONSIDERATIONS OF VALUE***

1. Purpose. The purpose of this circular is to encourage VA program participants to provide relevant market data to VA fee and staff appraisers during the appraisal process. These guidelines should help limit the number of cases that reach the reconsideration of value phase and also provide a more timely response to those cases that are submitted for reconsideration. However, the procedures described in this Circular should in no way suggest that appraisers are being pressured to make appraised values meet or exceed sale prices.

2. Background. This procedure began as a test program limited to the appraisal of properties in the areas of Chesapeake, Norfolk, Portsmouth and Virginia Beach, VA. Comments from program participants were encouraged and modifications were made based on responses received. Due to the success of this test program, VA has made policy changes regarding fee and staff appraisers' interaction with other program participants and in the reconsideration of value (ROV) process.

3. Notification of Point of Contact(s)

a. If the requester, on the appraisal request form (VAF 26-1805, Request for Determination of Reasonable Value), has provided specific Point of Contact (POC) information, VA fee appraisers are required to notify the listed POC when it appears that the appraised value will come in below the sales price of the subject property. The requestor may designate whomever they feel is most appropriate as the POC including the Realtor, Loan Officer/Originator, etc. If this information is not provided, the appraiser will be required to call the appraisal requestor shown on the appraisal request to make such notification.

b. Since there is currently no field for POC information in The Appraisal System (TAS) request screen the lender will enter the specific contact information in field **#30, Comments on Special Assessments or Homeowner's Association Charges**. The information should read: **POC for Appraisal Issues is: (ex. John Doe, (800) 123-4567, JDOE@XYZ.COM)**. The appraiser will not be at liberty to discuss the contents of the appraisal with the POC at this point beyond explaining that they are calling for whatever additional information the POC may be able to provide. We expect full cooperation between the fee appraiser and the specified POC or lender.

*(LOCAL REPRODUCTION AUTHORIZED)*

c. Once the fee appraiser has notified the lender or POC, they will have 2 working days to provide additional information to the fee appraiser, in a format similar to the comparable sales grid on the URAR. Verification that the sale actually closed is also required. If pending sales contracts are submitted to support a time adjustment, they must be complete with all contract addendums attached. In addition, there should be a brief narrative attached that describes the similarities/differences between the pending sale and the subject property.

d. After receipt of any additional information, the appraiser will complete the appraisal report indicating that this process was utilized. If the information provided to the appraiser does not result in an increase in value that meets or exceeds the sales price, the appraiser will report on an addendum the following information: Who provided the information, what information was provided, and why it did not change the opinion of value. In either situation, the appraiser will include a comment regarding the amount of time this process added to the overall appraisal delivery. VA and Lender Staff Appraisal Reviewers (SARs) will monitor this factor and determine if reasonable timeliness was adhered to.

#### 4. Requesting Reconsiderations of Value (ROVs) After the Notice Of Value (NOV) Has Been Issued.

a. If the lender processing a ROV request provides the additional information directly to the fee appraiser in a format similar to the comparable sales grid on the URAR, the VA fee appraiser will be required to provide a response within 5 working days. This should be the preferred, though not required, format.

b. Where information submitted in support of an ROV request requires the fee appraiser to review data that was not available at the time of the fee appraisers report, the appraiser will be allowed to charge a reasonable fee for this service. The Regional Loan Center (RLC) of Jurisdiction over the property should be consulted on questions of proper ROV fees.

c. Wherever possible, ROVs, and other correspondence, should be submitted via e-mail with supporting documentation as PDF attachments. Such documents are easily forwarded to appropriate personnel and allow VA and the fee appraisers to receive and process information in the most timely and efficient manner.

5. Fee Appraiser Responsiveness to Program Participants. VA fee appraisers are expected to represent the Department of Veterans Affairs in a manner that reflects professionalism and is oriented toward customer service. VA fee appraisers are

December 22, 2003

Circular 26-03-11

expected to provide a status report on anticipated delivery date of their work when requested by any legitimate party to the transaction: i.e., lender, realtor, buyer/seller. However, fee appraisers are not required to defend or discuss their reports with all members of the public. Questions on the content of an appraisal report should be directed to either the VA RLC of jurisdiction or the Lender's SAR. Complaints on fee appraiser performance, timeliness, or demeanor should be directed to the RLC of jurisdiction.

6. RESCISSION: This circular is rescinded January 1, 2007.

By Direction of the Under Secretary for Benefits

Keith Pedigo, Director  
Loan Guaranty Service

Distribution: CO: RPC 2022  
SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2022)

## **REQUEST FOR RECONSIDERATION OF VALUE ON VA APPRAISALS**

1. Purpose. The purpose of this circular is to reaffirm VA policy for processing requests for Reconsideration of Value (ROV) and to confirm compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). Expedient processing of ROV's is essential to ensure timely closing of VA loans.

2. Background. In the past most responses to ROV requests were prepared on fee appraisers' company letterhead. This remains an option illustrated in USPAP Advisory Opinion 3 (AO-3), Update of a Prior Assignment, issued by the Appraisal Standards Board. Proper processing of a ROV requires consideration of all data available to the appraiser, whether submitted with the request or acquired by other means, to affirm an estimate of market value. As a ROV is an "analysis involving the same property" it must comply with USPAP standards as illustrated in AO-3 and is considered an update of a prior assignment. Instructions for requesting and processing a ROV are contained in VA Lender's Handbook, section 13.09.

### 3. Fee Appraiser Requirement

a. Prepare an updated report incorporating the original case number and using one of the three reporting options in AO-3.

b. The new report may generally be restricted to analysis of the new data submitted to or obtained by the appraiser. A new Uniform Residential Appraisal Report (URAR) is not necessarily required, as the original URAR may be included by reference as noted in AO-3, under "Reporting Requirements" paragraph 3.

c. As stated in Circular 26-03-11, if additional sales data is submitted by a lender directly to the fee appraiser in a format similar to the comparable sales grid on the URAR, the fee appraiser is required to provide a response (report) within 5 working days.

d. If analysis of additional data does not support an increase in value, an explanation on company letterhead supporting the decision must be included in the report.

4. Related Policy

a. It is VA policy that fee appraisers process ROV requests on their prior assignments without additional compensation, unless the accompanying data was not available at the time of the original report.

b. As stated in Circular 26-03-11, a reasonable fee may be charged by the fee appraiser when the ROV request contains data to be reviewed that was not available at the time of the fee appraiser's report.

c. Any party of interest may request a ROV by written communication, through the lender, to the appraiser.

5. RESCISSION: This circular is rescinded January 1, 2007.

By Direction of the Under Secretary for Benefits

Keith Pedigo, Director  
Loan Guaranty Service

Distribution: CO: RPC 2022  
SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2022)

## ***NEW APPRAISAL REPORT FORMS AND INSTRUCTIONS FOR USE***

### 1. Purpose

a. The purpose of this circular is to provide information to program participants on the revision of appraisal report forms by Fannie Mae and Freddie Mac. After a review of the forms listed in paragraph 1b below, we have determined that they are acceptable for Department of Veterans Affairs (VA) appraisals. As the needs of our appraisal program may change, the potential use of the other Fannie Mae and Freddie Mac appraisal forms will be further evaluated.

b. The revised appraisal report forms identified below are acceptable for immediate use in all VA appraisals. Effective on **November 1, 2005**, these revised appraisal report forms must be used. Until then, VA appraisals may be completed using either the revised appraisal forms or the appraisal forms as identified in VA Pamphlet 26-7, the Lenders Handbook, Chapter 11, Section 11.04, (Appraisal Report Contents). The acceptable revised appraisal report forms are:

- Uniform Residential Appraisal Report (URAR), Freddie Mac Form 70/Fannie Mae Form 1004 dated March 2005 which will be required for all VA single family home and manufactured home appraisals;
- Individual Condominium Unit Appraisal Report, Freddie Mac Form 465 /Fannie Mae Form 1073 dated March 2005 which will be required for all condominium unit appraisals; and
- Small Residential Income Property Appraisal Report, Freddie Mac Form 72/Fannie Mae Form 1025 dated March 2005 which will be required for all two to four unit property appraisals.

c. The new appraisal report forms are available online at Fannie Mae's website: [http://www.efanniemae.com/singlefamily/forms\\_guidelines/selling\\_servicing/formlist.jhtml](http://www.efanniemae.com/singlefamily/forms_guidelines/selling_servicing/formlist.jhtml) and at Freddie Mac's Website at: <http://www.freddiemac.com/sell/forms/>

### 2. Background

a. The June 1993 version of the URAR has been widely recognized and used as the appraisal industry standard report form for the appraisal of single family residential properties. The changes that are reflected in the revised URAR dated March 2005 include expansion to six pages and the addition of the Statement of Assumptions and Limiting Conditions and Appraiser's Certification.

3. Details

a. Use of the revised appraisal forms should comply with previous VA instructions for appraisal completions and submission. VA appraisals must contain all requisite exhibits, comply with standing VA requirements, and conform to the applicable provisions of the Uniform Standards of Professional Appraisal Practice (USPAP).

b. In accordance with the instructions in Circular 26-04-05, VA fee appraisers will continue to name the Department of Veterans Affairs as the Lender/Client on all appraisal reports. Consistent with current policy, the intended use for VA appraisals is for residential loan purposes. The primary user is any approved VA lender or servicer.

c. In the reconciliation area of the revised forms, the box which states: "This appraisal is made... / / subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require repair", should generally **not** be checked by the VA fee appraiser. Appraisers are expected to require repair or correction of any observed conditions adversely affecting the property's soundness or livability to ensure the property meets VA Minimum Property Requirements (MPRs). Questions on unusual or unique MPRs should be directed to the VA Regional Loan Center (RLC) of jurisdiction.

4. Actions

a. The RLC's should promptly disseminate this information to all lenders, servicers, and fee appraisers.

b. Although use of the revised URAR is not mandatory until November 1, 2005, VA fee appraisers and appraisal reviewers should review and become familiar with the revised appraisal forms as soon as possible, and contact VA for additional information or needed assistance. This will enable us to assist in the early detection of any prospective issues.

c. The new appraisal forms authorized for VA appraisals are not expected to present any significant difficulties. If there are any questions on the completion and review of these new appraisal forms, please contact the VA Home Loan website at:  
[www.homeloans.va.gov/cav\\_questions.htm](http://www.homeloans.va.gov/cav_questions.htm).

5. RESCISSION: This circular is rescinded October 1, 2007

By Direction of the Under Secretary for Benefits

Keith Pedigo, Director  
Loan Guaranty Service

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