

Fee Appraiser Training Guide



Commemorating **75** Years of Service

Saint Paul
VA Regional Loan
Center

Contacts & Addresses

Section Phone Numbers: (800) 827-0611 ext. 5421
(612) 970-5421
Fax Number: (612) 970-5499

Email: vaappraisal.stpaul@va.gov
Portal address: <http://vip.vba.va.gov>
St. Paul web site: <http://www.vba.va.gov/rostpaul.htm>

Staff:

Saint Paul Regional Loan Center:

Andrew Kirchhoff	Valuation Officer
Dave Campbell	Assistant Valuation Officer
Tom Stranc	Assistant Valuation Officer
Joe Weinbeck	Specially Adapted Housing (SAH)
Kerry Spencer	Staff Appraiser
Michael Ostwald	Staff Appraiser
John Eidel	Staff Appraiser

Outbased Staff:

Nancy Bippen	St. Louis SAH
Juanita Dillard	St. Louis SAH
Jim Cruce	Wichita SAH
Richard Lewis	Chicago SAH
Richard Pozek	Kansas City SAH
Duane Viglicky	Lincoln SAH

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Part I:
**General Information for Fee
Appraisers**

Chapter 1: Timeliness and Availability

Timeliness Guidelines

VA appraisers are expected to submit all appraisal reports in a timely manner. We expect you to complete all reports within the same time frame as you would for a conventional origination appraisal.

Currently, the Saint Paul RLC does not have a proscribed time limit for the submission of origination appraisals. However, when the submission of an origination appraisal exceeds **10 days**, RLC staff reserve the right to pursue disciplinary action on a case by case basis. Simply put, in the event that the submission of an origination appraisal will exceed this timeframe, the Saint Paul RLC and lender should be notified of the delay.

Liquidation appraisals must be submitted within 5 business days of receipt of the order. If problems arise regarding access to vacant or occupied properties or contact with a servicer or occupant cannot be established, VA should be notified immediately by email. Furthermore, access problems should be documented on the appraisal report.

If the requester asks you to delay the appraisal assignment for any reason (e.g. seller is on vacation, customer preference items are not installed, etc.) and this delay would result in a normally unacceptable delay, VA must be notified and the reason for delay documented in the appraisal file.

Appraiser Availability

All VA fee appraisers must make themselves available during normal business hours and are expected to respond promptly to any inquiries from VA staff, lenders, or real estate agents. Generally, all queries should be answered no later than the next business day. Failure to respond may result in the withholding of assignments until such time as response is received.

Internet/Email Access

VA fee appraisers must have Internet access that is compatible with all VA online applications, most notably The Appraisal System (TAS) and E-Appraisal. Also, appraisers must be able to send and receive email. Many lenders choose to transmit appraisal assignments via email and use email as a primary means of communication.

Lack of email could lead to miscommunication between parties and unnecessary delays in the appraisal process.

Phone/Fax Availability

A fax machine, or access to a fax machine, is required. Many lenders will choose to transmit appraisal orders via fax rather than email or “snail” mail. Fax machines also serve to expedite the transmission of information when email is not available or practical. Any appraiser found to be without a functioning fax machine may have future assignments withheld until such time as fax communication is available.

A telephone answering machine, voicemail, or someone to answer your phone during normal business hours (8-4:30) Monday through Friday is also required. If no one is available to answer your phone or respond to emails during a vacation or other period of unavailability, you are required to have a recorded message informing the caller of the date you expect to return.

Vacation, Illness, and Emergency Notices

You **must** notify VA at least 7 days in advance when you are going on vacation or will otherwise be unavailable for a period of 3 days or more. Your request must be emailed to the general C&V mailbox and must include your state(s) of jurisdiction as well as the date **you would like assignments withheld and the date of your return.** Furthermore, it is your responsibility to ensure that all current pending assignments are completed and uploaded to E-Appraisal. If you are unable to complete an appraisal before your departure, be sure to notify VA so that it can be reassigned.

In the event of an emergency or unforeseen calamity that would preclude compliance with the 7 day notification requirement, every effort should be made to inform VA. If this is not possible, VA should be notified as soon as possible and any delay in the submission of appraisal reports should be documented in the file.

Chapter 2: Appraiser Conduct and Allowable Fees

General Conduct

As a member of the VA fee panel, you are working on behalf of the U.S. Department of Veterans Affairs. **Courteous, professional conduct is required at all times.** Conduct to the contrary reflects poorly on yourself and VA and does a serious disservice to the veterans we serve.

Remember, your perspective about a person's home (or perspective home) is a sensitive issue. Consequently, many of the complaints that we get about VA appraisers relate directly to what you may say or do in the process of completing the appraisal. Therefore, be mindful of your attitude and remarks as you complete each assignment. Opinions are subjective by definition, and the home you feel to be unsuitable might be an exciting "step up" for the veteran who is purchasing it.

Conflicts of Interest

Due to a recent policy change, VA no longer requires fee personnel to submit an annual Statement of Interests. Nonetheless, VA Fee Appraisers are held to those requirements and must continue to adhere to them. The following statement of VA policy provides some examples of conflict of interest as well as other guidelines for fee personnel:

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

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

- Any circumstances wherein information obtained from or through a VA assignment to appraise or to make compliance inspections will be used to the detriment of the Government or veterans. Specifically, the foregoing statements of policy and the standards contained therein are intended to preclude any Fee Appraiser or Compliance Inspector from:

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

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

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

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

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

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

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

The above examples are not all-inclusive, but they do illustrate some obvious conflicts of interest. The provisions above do allow you to act as sales agent or broker in connection with a particular property. However, if you receive an appraisal or inspection request related to VA financing on that property, then you should immediately contact VA and request reassignment of that case to another appraiser.

In summary:

- **You must notify VA immediately if you are elected or appointed to public office, or if affiliated with any new lender, builder, or realty firm; or if you have a financial interest in the property to be appraised.**
- **You may *not* perform a VA appraisal on any property in which you have an interest or involvement or where there is or could be a conflict between your private interests and your duties and responsibilities to VA and to the veterans we all serve.**

Use of Associate Appraisers

Assignments received by VA fee appraisers are to be completed by the appraiser assigned. Delegation of appraisal assignments is explicitly prohibited. If the St. Paul RLC finds evidence that any appraiser other than the appraiser assigned has completed a VA appraisal, the appraiser assigned will be removed from the VA fee panel. However, fee appraisers can rely on assistance from associate appraisers or other administrative staff.

If the appraiser assigned by VA relied on significant professional assistance in performing the appraisal or in preparing the appraisal report (except as prohibited below) the name of that individual and the specific tasks he/she performed must be shown in the “reconciliation” section of the appraisal report. An assistant may sign the report (as an assistant) to document qualifying experience for future licensing/certification purposes.

The following tasks cannot be delegated. The fee appraiser assigned must:

- 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
- Sign the appraisal report as the appraiser

Divulging Information from Appraisal Reports

Under the Freedom of Information Act, any VA appraisal report will be made available to any party upon written request sent directly to us. Generally, you can discuss your report with any party of interest. If a lender or servicer requests an emailed copy of an appraisal report, it is acceptable; however, you are not required to do so. Also, you must notify the appraisal requestor (for a VA purchase) when it appears that the final value estimate will be less than the contract price. The requestor will have the opportunity to obtain and provide additional information to you for review. (See Chapter 5.)

Fees and Collection Issues

Fee Schedule

As a general rule, fee appraisers may not charge their VA clients more than the maximum allowable charge issued by the Saint Paul VA. These fees fluctuate in accordance with the state of jurisdiction and the type of appraisal performed. VA fees are market driven, and we make every effort to analyze any market changes to conventional appraisal fees and adjust our fee schedule accordingly. Current fee schedules (as of January 1, 2006) broken down by state and appraisal type are provided in the St. Paul RLC website located at <http://www.vba.va.gov/rostpaul.htm>. In unusual or complex appraisal situations that are not specifically covered by the fee schedule, fees will be set by the Valuation Officer.

Mileage Fees

In certain instances, VA appraisers are authorized to charge fees for mileage. Current mileage rates can be found at the Saint Paul RLC website and are set by GSA. **Generally, mileage fees only apply outside of the appraiser's home county for trips in excess of 75 miles roundtrip.** The fee will only be charged on miles beyond the base 75 miles roundtrip. In addition, no mileage fees will be allowed within metropolitan areas as defined below. Appraisers are not required to travel throughout a metropolitan area, but if they choose to work in more than one county in a metropolitan area, no mileage fees can be charged in those counties.

Metropolitan counties in our jurisdiction are defined as follows:

Kansas City: Clay (MO), Jackson (MO), Platte (MO), Johnson (KS),
Leavenworth (KS), Wyandotte (KS)

Saint Louis: St. Louis (MO), St. Charles (MO), Jefferson (MO), St. Clair (IL),
Madison (IL)

Chicago: Cook, Du Page, Lake

Minneapolis/ Saint Paul: Hennepin, Ramsey, Anoka, Washington, Dakota,
Scott

Omaha: Douglas, Sarpy

Payment Assistance Policy

If a fee appraiser has an invoice that has been past due for 60 days or more, the Saint Paul RLC will provide limited assistance in collection of payment, depending on workload and staffing capability. In order for us to assist you quickly and effectively, please fax or email a copy of the original 1805 order form, a copy of your invoice, any contact information you might have, and a written log of your attempts to collect payment.

Under no circumstances may appraisers require lenders or servicers to pay for appraisals in advance. We do not currently have the resources to monitor any type of pre-pay system, and the delays caused by a pre-pay system would be detrimental to veteran buyers who expect prompt service. Trouble lenders are monitored by our staff, and if action is required there are means at our disposal to ensure timely payment.

To reiterate, **under no circumstances may a VA appraiser delay completion of an assignment or withhold release of a completed report because of untimely payment of an appraisal fee on a prior case.**

Chapter 3: VA Quality Control

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) **
- Minor USPAP violations

(** **Note:** The errors marked ** could also be deemed substantive, depending on the degree to which value is impacted.)

Administrative Action and Summary of Deficiencies

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.

Summary of Deficiencies

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 the preceding section :

- 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 actions (i.e., disciplinary actions) as circumstances dictate. Some of these include the following:

- **Withholding of Appraisal Assignments** -- imposed by the Valuation Officer for a 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 Department of Veterans Affairs for a *minimum period of one year*.

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

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 Regional Loan Center in Saint Paul. The Fee Roster Committee typically consists of the Loan Guaranty Officer, the Assistant Loan Guaranty Officer, 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.

Chapter 4: Veterans Information Portal (VIP)

<https://vip.vba.va.gov>

The VIP Portal is a web-based application that provides links to integral applications pertaining to the VA home loan program, such as The Appraisal System (TAS) and E-Appraisal, as well as links to other government & VA websites. As stated earlier, fee appraisers are expected to use this system and its applications to check assignments and update personal information as well as to upload all appraisal assignments. Therefore, it goes without saying that this system is integral to performing the duties expected of VA appraisers, and all appraisers are expected to be competent in the use of its applications.

Registration

If you have never used the portal in the past, you will need to register. This is done by clicking on the “register” link at the top of the blue sidebar after accessing the site at the link above. Fill out all required information in the boxes provided, and then select “submit.” You must submit the four digit appraiser I.D. number assigned to you, and you must select Saint Paul as your RO. The system will then assign you a password, which you can change at any time.

Whenever you try to log in to the portal, you will be asked to provide your user name and password. Remember, your user name will always be your first name (dot) your last name in lower case (e.g. john.doe) If you wish to change your password at any time, please remember that passwords are case sensitive and must include three of the following four types of characters: Upper case, lower case, number, or symbol (e.g. #.) In addition, your password cannot resemble in any way a real word.

NOTE: If you forget your password, just under the username and password boxes is a lost password link. Please click on the link and follow the instructions.

If you are locked out due to too many unsuccessful attempts, usually three (3), call or e-mail VA’s general inquiries box for assistance.

The Appraisal System (TAS)

Once you have gained access to the portal, there will be a blue bar on the left side of your screen. Scroll down to Applications and click “TAS/WBLS.”

You are now in TAS!

You are allowed and encouraged to perform the following functions:

- Check pending assignments
- Find contact information of the requester
- Check your availability status
- View and/or change your personal file (email, address, etc.)
- Check, but not change your geographical area.

The Assignment Process

Lenders and other requesters order case numbers and appraisals through the Internet-based Assignment System (TAS). The TAS 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.

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 is e-mailed to you when the assignment is made. The 26-1805-1 will include the VA case number, along with access information and lender contact information. The lender may also arrange to send you the purchase agreement (if applicable) and any other necessary exhibits. You should follow up immediately with the requester if after checking your pending assignments in TAS you have not received the e-mailed Appraisal Request Form 26-1805-1.

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. An e-mailed 26-1805-1, although typically unsigned, is considered equally valid. The TAS generated e-mail serves as definitive identification of the sender and for this purpose is the equivalent of an “electronic” signature.

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 and to VA simply because the sales contract or disclosure statement has not been received. Include a comment that these items were not forthcoming despite your requests and that the report was submitted without them for timeliness purposes.

Monitoring Your TAS Account

It is **your responsibility** to monitor your TAS account frequently. Checking daily will enable you to keep track of your workload and will alert you to new VA appraisal assignments as soon as the requester orders them. Your “Appraiser Pending Assignments” list on 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, LPL). When viewing your pending assignments in TAS, we suggest that you keep the following points in mind:

- **Liquidation (LGI - especially “SLMP”) Requests:** While we encourage the fastest possible turn-around time for all VA assignments, when prioritizing your pending VA assignments remember that VA’s timeliness standard for liquidation assignments is five working days. (Refer to the “Appraisal Timeliness Guidelines” on page 7.)
- **LAPP, IND, or LGI Requests:** If you receive a cancellation notice from the requester, please notify VA of the case number and property address. Often the lender does not notify VA when a case is canceled. Until TAS is updated to reflect the cancellation, that case will continue to show on your pending assignments list.
- If you need to have a case reassigned due to conflict of interest (see Chapter 1) or any other reason, contact the Saint Paul VA.
- E-Appraisal automatically updates TAS to reflect the receipt date of each uploaded appraisal. With E-Appraisal in place, you will not receive an acknowledgement of your uploaded report, but you can check E-Appraisal and verify that your report is in the system.

View And/Or Update Your Record

To view or change your record in TAS, go to the Appr/Insp tab and click on View/Update Record. Input your last name in the space provided and click submit. This will allow you to view and change information such as your email address, business address, phone and fax.

Here you will also be able to view your status, i.e. active and available or unavailable. If you made changes to your record, be sure to click submit at the bottom of the page for it to be updated.

Remember, you are only allowed to update/change personal information. You cannot change your areas of coverage.

eAppraisal

Effective August 30, 2004, the E-Appraisal function became available through the Veterans Information Portal (VIP) to external users (fee appraisers and LAPP SARs). Use of e-appraisal is now mandatory for all VA Fee Appraisers, VA staff and LAPP Staff Appraisal Reviewers.

Overview of “eAppraisal”

eAppraisal is an application on the Veterans Information Portal (VIP) intended for use by external users (SARs and Fee Appraisers). This application was designed to work in conjunction with TAS. eAppraisal offers a variety of essential functions:

- Allows the electronic upload of the appraisal by the appraiser and electronic retrieval of the appraisal by an authorized SAR or Servicer as well as by VA staff.
- Interacts with TAS to record the receipt date of appraisals. SARs or VA staff can run TAS reports listing “Appraisals Received” and “Pending Review.”
- Only the last uploaded document is retained in E-Appraisal for retrieval.

Benefits of eAppraisal

The change, in August 2001, from the mailing of hard-copy appraisals to e-commerce transmission provided some clear benefits for VA, for the Fee Appraiser, and for the lender. Among these were significant savings in:

- **Storage space** due to the reduction, if not elimination of file cabinets, as most appraisal and loan information was stored electronically
- **Cost** of postage, paper, packaging, photocopying, etc.
- **Time**, as “mailing” time was reduced from days to seconds. While retaining all the advantages of e-commerce, eAppraisal technology offers the following additional benefits:
 - Appraisals are processed more quickly and efficiently
 - TAS updates in real time to record each appraisal as “received” upon successful completion of the upload
 - Appraisals cannot be misplaced or lost (as was possible with hardcopies)
 - Appraisals cannot be accidentally deleted (as can sometimes happen when e-mailed copies are maintained at the Regional Office).

Creating the PDF Appraisal Report

eAppraisal contains assistance for the appraiser in creating a PDF file for upload if the appraiser does not have such capability on his/her PC. Alternatively, the appraiser has the option of continuing to produce PDF appraisals by any acceptable method previously used for E-Commerce purposes. This section summarizes those requirements. Fee appraisers must have:

- a personal computer
- a scanner
- e-mail capability on the Internet.
- Acrobat 4.0 (or newer version *) or PDF Publisher software, either contained within the appraisal software or as a stand alone software application.

An appraisal report can be created as (or converted to) PDF format in three ways:

1.) Use an appraisal software package that contains Adobe Acrobat 4.0 (or newer version *) or PDF Publisher software to produce a .PDF file. Known supporting software includes:

- a la mode, Inc. (WinTotal 2000)
- Day One (Appraisal Manager)
- Polaroid (ACI/MCS)
- Software for R.E. Professionals (AppraiseIt)
- United Systems (HighPerform)
- Bradford Technologies (Appraiser's Toolbox)

2.) Use Adobe Acrobat 4.0 (or newer version *) or PDF Publisher to *IMPORT* a file created by another appraisal software package. Most appraisal software packages that do not produce a .PDF (*dot* PDF) extension will instead produce one of the following file extensions, all of which can be imported:

.GIF .JPEG .TIF
.TIFF .PCX .PNG
.BMP .PICT (for Macintosh PCs)

3.) Use Adobe Acrobat 4.0 (or newer version *) or PDF Publisher to *SCAN* an appraisal report into a VA PDF file template.

- The template can be obtained from VA.
- This template is a one-page .PDF file.
- The appraiser inputs the required 14 fields in the template (e.g. property address, city...)
- The fee appraiser then scans in the appraisal report (this makes pages 2, 3, 4, 5, 6, etc. of the PDF template file)
- The appraiser uploads the .PDF appraisal to E-Appraisal

Uploading Appraisal Reports

Prior to uploading the appraisal report you must first ensure that the report is in pdf format and is named correctly. All reports must be named starting with the VA case number (dot) pdf. (for example, 35-35-6-0999999.pdf) It is important to follow this format **EXACTLY** in order for the report to upload.

Once your appraisal report is in pdf format and is named correctly, you are ready to upload the report into the eAppraisal system. From the VIP Portal main screen, click on “eAppraisal” under applications. The e-appraisal main screen should appear. Click on “appraisal” and then “upload report” under the drop-down menu. Fill in all required information on this screen, and then click “submit.”

Toward the bottom of the next screen, you will see a box which says, “specify path to file,” and next to this box, a button that says, “browse.” Click the “browse” button. Locate the appraisal file on your computer in the box that follows, and double-click on the report. The “specify path to file” box should populate with information. Once this is done, click “save”. A blue box will appear showing the progress of the upload. Once this process is complete, the report has been uploaded and is ready for review by VA staff or LAPP SARs.

Please note that ALL appraisal reports must be uploaded to this system, including LAPP appraisals. As stated earlier, it is allowable to email, fax, or mail reports to lenders. However, the report must still be uploaded to e-appraisal to allow for field and desk review of the appraisal by VA staff.

VIP Portal Problems

If you are experiencing problems with any applications associated with the VIP Portal, contact the Saint Paul RLC for assistance.

Chapter 5: Communication with LAPP Staff Appraisal Reviewers (SARs)

The Role of the LAPP Staff Appraiser Reviewer (SAR)

Generally the LAPP SAR must ensure that:

- the fee appraiser has met VA timeliness requirements and has properly documented the received-appraised-mailed (RAM) dates - (see page 17)
- 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
- the appraiser's 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) 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 difficulties 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 at the Saint Paul Regional Loan Center. The lender's submission will include a written report clearly outlining the difficulties encountered, with 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.

Note: Any revisions, corrections, or clarifications made by a fee appraiser to the appraisal report must be uploaded into E-Appraisal and notification furnished to the lender and VA. Any case in which VA determines that relevant appraisal documentation has been withheld will constitute an unacceptable act and may be considered a basis for administrative action against the lender, the fee appraiser, or both.

Tidewater Initiative

This is a major change in VA's policy regarding interaction between VA Fee Appraisers and other program participants. In brief summary, the Tidewater procedure allows an opportunity for a designated "Point of Contact" to provide market evidence for the appraiser's consideration prior to establishing the final URAR value. The appraiser initiates the procedure by alerting the Contact person that the appraised value appears likely to come in under the sales price. The appraiser should not discuss the appraisal contents except to explain that the comparables located by the appraiser do not adequately support the sales price. The Contact person then has two business days to provide additional sales information in support of the sales price. Verification of all closed sales is required. (Pending sales may be offered, but can only be used to support time adjustments.)

All attempts to communicate with the designated Point of Contact must be documented to show the date of the attempt, the party's name and phone number, and whether or not additional information was provided.

While it is expected that implementation of the Tidewater procedure should result in fewer requests for reconsideration of value, they may still occur and should be handled in

the usual manner. For complete and detailed instructions regarding proper use of the Tidewater Initiative, please refer to the St. Paul RLC Memorandum #04-01.

LAPP Reconsiderations of Value

Specific and detailed instructions for handling LAPP reconsiderations of value are provided in Chapter 13 of the revised **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 adjust the appraisal report **up to 5 percent** of the appraised value (except where state law permits only licensed appraisers to amend an appraisal report).
- All requests for reconsideration of value **must be in writing**, and may be initiated by any party of interest to the transaction. [Review page 26 regarding VA's recommended course of action when contacted by a party of interest other than the LAPP SAR.]
- 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. Remember that VA already has a copy of your original report. Any resulting revision must be uploaded in full to E-Appraisal, with e-mailed notification to both VA and the LAPP lender advising that the revised appraisal is completed. If no value change is warranted, an e-mailed response is sufficient. Along with this e-mail, please return a copy of the reconsideration request as well as any recommendations.
- The Fee Appraiser may charge a reasonable, mutually negotiated fee for a value reconsideration based on information that was **not** available to the appraiser at the time of the original appraisal (newer closed sales, for example).
- A reconsideration of value based on market data that was available (but not used) at the time of the original appraisal is the responsibility of the appraiser (i.e., **no** additional fee may be charged). Reminder: the fee appraiser must also consider all available listing information.
- If requesters wish for appraisers to consider reconsideration of value based on additional comparable sales, these sales should be submitted to the appraiser in grid format similar to that on the URAR.

- If analysis of additional data provided does not support an increase in value, the appraiser must supply an explanation supporting the decision, on the appraiser's letterhead, which should be e-mailed to the lender and to VA.
- The appraiser must prepare an updated report using one of the three reporting options in USPAP AO-3. This new report can be generally restricted to analysis of the new data and should reference the original URAR as noted in AO-3 under "Reporting Requirements" paragraph 3.
- Refer to **VA Circular 26-04-04** for further guidance on VA policy regarding the processing of Reconsideration of Value requests. The Circular is included in the Addenda section at the end of this Handbook (see pages 61-62).
- **VA staff is required to review all LAPP cases involving a change in value.**

Part II:

Appraisal and
Inspection Reports

Chapter 6: VA Appraisal Requirements

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. There are potential exceptions:

- VA prior approval is required prior to performing a “restricted” appraisal.
- With the exception of liquidation appraisal updates, VA prior approval is required for any case in which the USPAP departure rule is used.

Please note that the USPAP Jurisdictional Exception Rule permits Federal agencies to follow their own requirements when there is a conflict between USPAP and Federal agency requirements. For VA purposes, an example of an appropriate jurisdictional exception would be an exterior inspection of an occupied property for liquidation purposes.

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) *confirmed 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 justified and explained.

When the market is declining/increasing, and additional support for a time adjustment is required. We recommend that you include a fourth comp that can be a pending sale where you have verified the sale price with the selling agent. As long as you have three closed sales, you can give the pending fourth sale

appropriate weight in your reconciliation. The pending sale may be the best indicator of current value.

Income Approach:

If the appraisal involves an income-producing property (*more than one living unit*), the appraiser will use value estimates developed through *the income approach including the rental comparison grid, 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:

With the exception of a site value and Remaining Economic Life, you are not required to provide the cost approach to value on any VA appraisal (proposed, new, or existing construction); however, if you have completed the cost approach you *can* put it on the URAR. 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. Although not required, if you included the cost approach in your work file, please submit it on the URAR.

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.

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 includes more than one living unit or is a manufactured home.

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.

Manufactured Home Appraisal Report, Freddie Mac Form 70B/ Fannie Mae Form 1004c.

VA-Specific Items

VA as Client

Under USPAP 2004 changes, simply changing the name of the lender on the URAR is not acceptable. Circular 26-04-05 states Fee Appraisers will insert “Department of Veterans Affairs” after “Lender/Client” on the URAR on all VA case assignments. You will then identify the type of intended user by inserting “Intended User – Any VA approved lender” on the lender/client line following “Address”. Lenders that require their name on the URAR must negotiate a new assignment and pay the appraiser directly and may not charge the veteran. VA will not object to the appraiser accepting this new assignment. VA Circular 26-04-05 is included in the Addenda at the end of this Handbook.

Required Items

All VA appraisals must include the following information:

- The listing price to sales price ratio for the subject’s area.
- A statement regarding the prevalence of sales concessions in the subject’s market area and, if concessions are prevalent, the typical concession seen. **Note: any adjustments to comparable sales in the sales comparison analysis must not exceed what is typical for the market area.**
- A statement regarding the average marketing time in the subject’s market area **and whether it is increasing, decreasing, or stable** (for example, “the average marketing time is decreasing from 90 to 60 days).
- Certify, “I have considered competitive listings and/or contract offerings in performing this appraisal, and any trend indicated by that data is supported by the listing/offering information included in this report.”
- A location map, clearly showing the location of the subject and each comparable. If a map is not available, written directions to the subject and comps must be included with the report. **Any VA staff appraiser doing a field review of your work should be able to find the subject and comparables from the map provided.**

- A properly completed Statement of Limiting Conditions and Appraiser's Certification, Freddie Mac Form 439/Fannie Mae Form 1004B.
- 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.
- Photographs – must include two views of the subject property, a street scene picture, and a picture of any other improvements for the subject that can not be seen in the pictures of the subject (e.g.: garage, pool house, barn, etc...). A picture of each comp must also be included.
- Any additional appraisal or repair-related information that may be needed to support the fee appraiser's conclusions. (The appropriate areas on a computer-generated URAR can be expanded to include such information, provided the standard sequence of the URAR instructions, information entries, etc. does not change and the "Sales Comparison Analysis" does not appear on two separate pages.)
- **Explanations of all large or unusual adjustments.**
- Every proposed construction appraisal must include the following certification;

"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](#), plot plan by Jones, Inc.)] was used to arrive at the estimate of reasonable value noted in this report. ___[appraiser's signature]___"
- The Remaining Economic Life of the subject property listed in the cost approach of the URAR.
- The site value of the subject **listed in the cost approach** of the URAR.

Completing the Uniform Residential Appraisal Report (URAR)

The URAR should be completed fully, in accordance with the following instructions and guidelines. Not all areas of URAR are mentioned below, but 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.”

Subject Section

1. Full VA case number 31-31-X-XXXXXXX
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. Lender/Client: *VA is to be named as the client throughout URAR (see instructions on page 29).*
9. Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to effective date of this appraisal? **If answer is yes, you must provide data source(s) used, offerings price(s), and date. If the sale price is higher than the list price, provide comment on why (ie. There are a number of sales prices higher than list price because list price does not include options).**

Contract Section - 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 and to VA simply because the sales contract or disclosure statement has not been received. Include a comment that these items were not forthcoming despite your requests and that the report was submitted without them for timeliness purposes.

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. 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
6. Neighborhood Description, include:
 - a) location of community
 - b) amenities
 - c) location deficiencies and/or
 - d) inharmonious buildup which affects marketability and/or market value
7. General market conditions:
 - 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 determine from available data sources.

Site Section

1. Provide accurate lot size, frontage, and depth
2. Indicate zoning - both specific community designation code and description required, identify equestrian zoning, if applicable
3. Identify highest and best use - comment required if this is other than "present use."
4. 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.
5. Off site improvements block
 - a) describe type of street surfaces - comment if not typical for 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) and
- maintenance agreement (if maintenance cost to assure year-round access is significant, must be conditioned for approval)

6. Flood hazard information

- 1) specify whether the subject property is in a FEMA Area
- 2) identify FEMA zone, FEMA map number, and map date

Note: Indicating “unknown,” or “not available,” is **not** an acceptable entry.

8. Describe adverse site conditions or external factors if applicable.

Improvements Section

1. General description

- a) One unit will normally be x'd. Use “One with Accessory Unit”, only if additional living unit on same site (ie. mother-in-law house)
- b) Existing should also be used for new construction complete up to customer preference items. If proposed or under construction marked, you must have reviewed plans and specification to complete report.

2. Foundation/Basement description

Dampness/settlement, infestation - *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.*

3. Exterior & Interior descriptions:

Include materials **AND** condition of materials.

4. Driveway – don't forget to include surface material/condition.

5. Finished area **above** grade contains:

Self-explanatory, however, as clarification – **DO NOT** include lower levels in Split Level & atrium ranch houses.

6. Additional features (special energy efficient items, etc.) and Condition of property – **describe in detail.** Comments on cosmetic deficiencies in property can go here. Separate those comments from actual list of repairs considered Minimum Property Requirements.

7. 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
- e) EPA Super Fund Sites

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 (Ex: 5blks).
 - 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. **If the sale price is higher than the list price, provide comment on why (ie. There are a number of sales prices higher than list price because list price does not include options).**
4. Data source: MLS, County Records, 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. No adjustments are necessary for those costs that are normally paid by sellers as a result of tradition or law in a market area; such 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) sales closed in excess of 1 year from date of appraisal require justification by appraiser
 - b) time adjustment documentation no longer needs to be attached to your appraisal report, but must be available to the VA or SAR upon request.
NOTE: A 4th comp showing a pending sale is beneficial when making a time adjustment but not required.
7. Location/site:
 - a) provide lot size of subject and all comparables.
 - b) If a portion of a lot is unusable for any reason, provide an explanation.
8. View
 - a) note specific influences and 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)
- c) adjustments used here should not be subjective, but documented by paired sales/extracted data.

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 and explained under comments)

12. Condition - rate as excellent/good/average/fair/poor--should be consistent with condition information shown on page 1

13. Room count:

- comps should be similar to subject in bedroom (and if possible) in bath count (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)

Note: adjustments for room count and gross living area should be shown as separate line items (again, be careful not to "double-adjust" for the same variation under two different line items)

Gross living area:

- a) should be as similar to subject as possible
- bc) adjustments not required for differences under 100 square feet
- 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 that are integral parts of the nonresidential portion are included in calculating the total percentage of nonresidential area. When faced with a property that appears to exceed the 25% limitation, we suggest that you contact VA for guidance before proceeding with the appraisal.

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) Note: this is not to be included in the gross living area of the property.

14. Functional utility:

a) any ***adjustments should reflect market reaction*** to any functional obsolescence of subject or comparables relative to each other
adjustments should be explained be consistent throughout report.

15. Heating/cooling - identify type of furnace and fuel source(central, wall, gas, electric)
state whether A/C or none

a) newer furnace or A/C may justify adjustment, with explanation

b) Energy efficient items - replacement windows, solar heat, insulation etc. can be indicated here and adjusted as applicable

16. Garage/Carport

a) if none, indicate if there is off-street or street parking only
state garage features; siding, attached, detached, can be considered here, adjust for condition, age, or quality, as appropriate

b) 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

17. Porch, patio, deck - adjustments will depend on differences in size and quality of porches, patios, decks

a) natural wood burning fireplace can warrant adjustment but cannot be used as the sole or primary heat source (see VA MPRs regarding heating)

b) personal property such as satellite dishes or above-ground pools is ***not*** to be included in the estimate of reasonable value.

18. Outbuildings – give value only in regard to the extent of what they bring to property as a residential home.

19.Extras – fireplaces, in-ground pools, etc. (above-ground pools are considered personal property and not to be given value).

20. [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 done without permits or where there is no evidence of permits (see guidelines below regarding when and how to condition appraisal in this situation)

21. 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 solely on "appraiser judgment"
- e) adjustments are not to be used to make a comparable fit to the sales price and/or asking price
- f) appraiser is to fully support and document estimate of value that considerably exceeds actual sales price amount which is provided by lender and/or purchase agreement

22. Adjusted Sales Price of Comparable – self-explanatory, make sure adjustments are properly added or subtracted.

23. Sales/transfer history of subject & comps:

- a) three year sales history of subject and comparables required
- b) county records and/or city data search is acceptable
- c) state data source researched & effective date of data source
- d) Provide analysis of prior sale or transfer history of the subject property & comparable sales.

24. Summary of Sales Comparison Approach

- a) explain reasoning for adjustments (do not just repeat what sections were adjusted above)
- b) explain why more weight was 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
 - if over \$5000, explanation is required
 - if over \$10,000, should be supported by paired sales analysis

25. Indicated Value by Sales Comparison Approach

- a) should be consistent with reasoning expressed in comments (see item 21 above)
- b) use of averages, medians, modes is not appropriate appraisal practice
- c) ***must fall within the adjusted range of value of the comparables***

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).

Reconciliation Section (use addendum if necessary):

1. Appraisal should be made either:

- **As is**, if there are no MPR repairs or other requirements. (note: all liquidation appraisals must be appraised “as is”).

- **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.

- **Subject to the following repairs or alterations...**, if the final value is contingent upon completion of such requirements. If so, these must be listed in the “Improvement Section” 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.

- For VA purposes, **“DO NOT EVER USE” Subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair.**

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 is given any weight, provide a full explanation.

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 the property was inspected.

4. Report must be signed and dated. Provide your VA Appraiser number next

to your signature. Provide your State Certification or License number in the space indicated.

5. The Supervisory Appraiser section is not used for VA purposes.

Additional Comments Section – any information, certifications and comments that didn't fit on first two pages of report can go here.

Cost Approach

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

1. Opinion of *site value*
2. Estimated *Remaining Economic Life* of the property
 - a) must be consistent with the neighborhood analysis
 - e) comment is required if less than 30 years

Income Approach

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

PUD Information Section

If PUD box x'd on page 1 of URAR, complete line 1 of this section. If answer to question in line 1 is "yes", complete section in its entirety.

Chapter 7: Minimum Property Requirements (MPR)

OVERVIEW

Recommend only those repairs needed to make the property conform to VA Minimum Property Requirements (MPR's). Cosmetic repairs are not required, so consider them in the overall condition rating and valuation of the property.

In Existing Construction, the most common MPR repairs are for maintenance needed to prevent "continued deterioration of the improvements", such as deteriorated exterior walls and trim, roof leaks, damp basements, water in crawl space, and exterior painting. Typical safety items include missing handrails, porch/deck rails and safety bars (for sliding glass doors). Typical sanitary problems include defective septic systems, water in the crawl space and plumbing leaks.

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

For Specific VA Requirements regarding Basic MPR's, variations, exemptions, shared facilities and utilities, access related issues, hazards and defective conditions, fuel pipelines, high voltage electric lines, and water supply/sewage disposal requirements, please refer to the Lender's Handbook chapter 12.

REPORTING MPR ITEMS

List each repair item (or completion item if new) in the appraisal report along with an estimated cost to complete that item. Be as specific as possible so that repairs (and repair costs) reflect only the work that is needed. Explain the reason for any repairs that are not obvious.

Sometimes a problem is evident but the cause is not, or is beyond your expertise. Examples include wet basements and plumbing/heating/electrical problems which can have several possible causes. You should describe the problem and require that it be corrected. **Avoid a recommendation for roofing, heating, plumbing or electrical certifications.** If there is any question as to the condition of these systems, state the reason. We will determine the specific requirements based on your comments.

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

If final site work for a new house is incomplete, require specifically that the builder "stabilize the ground cover". Stabilizing the ground cover means that upon completion of all site work, there will be proper drainage and no areas of erosion or ponding. Usually this is completed by grading and seeding. In some cases this is insufficient (due to severe slopes or poor soil conditions) and grass or sod is needed. If you re-inspect the site work, consider each site individually.

DEFECTIVE PAINT REPAIRS

Lead-based paint constitutes an immediate hazard that must be corrected, unless testing shows that lead is not present in the paint at a level above that permitted by law. Since we do not require testing of the paint you **must**:

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

Defective paint conditions on the exterior of a home built after 1977 will require correction in all cases where the defects appears to be serious enough to cause the deterioration of the structure if left untreated and would constitute an violation of VA Minimum Property Requirements. Otherwise, the defect may be considered cosmetic by the appraiser and considered in adjustments for condition. Interior paint on houses built after 1977 should be considered a cosmetic issue.

Chapter 8: Liquidation Appraisals

Inspection Requirements

Appraisals ordered for liquidation purposes are traditionally the most difficult reports to complete. The importance of complete and accurate appraisals for liquidation purposes can not be understated. Therefore, the following guidelines for liquidation appraisals must be strictly adhered to. **As stated on page 7, all VA liquidation appraisals must be submitted within five (5) working days. If access is not provided in a timely manner, VA must be notified.**

Vacant Properties

If the property is **vacant you must gain access** to complete the appraisal. The institution that ordered the appraisal is required to assist you in gaining entry to the subject property.

You should notify VA via e-mail or fax if you have not been given the means to gain access (keys, management company contact person, etc.) The file will be noted and the timeliness will not be counted against the appraiser.

Occupied Properties

Again the requestor is required to give you access information (i.e.: owner/occupant's phone number). You must make at least three attempts to gain access. The attempts could be phone calls to the veteran owner and actual visits to the property. Of the three attempts you make to contact the owner for an appointment to view the interior, one attempt must be a site visit to knock on the door.

The VA timeliness requirement is five (5) business days. Therefore, it is recommended that you make your first attempt the day you receive the assignment. The two other attempts could be completed at different times during the day.

You can complete an exterior appraisal without prior authorization from VA if the property is occupied and;

- If you have made three attempts to gain access to the subject and have been unsuccessful, or
- If the veteran owner or occupant is contacted and refuses entry to the subject, no further attempts need to be made.

If you are unable to gain access, all information that can be reasonably arrived upon should be included in the appraisal report. Following that reasoning, any information that **cannot** be reasonably arrived upon should **not** be included in the report. This would include interior repairs, assumptions regarding the condition of the interior, etc. **It is also important to note that the Fannie Mae External Appraisal Form cannot be used. All appraisals must be completed on the VA approved forms listed on page 28.**

Approach to Value

Liquidation appraisals must be market value appraisals (that is, the price the property can command if exposed for sale in the open market, allowing a reasonable time to find a purchaser). A liquidation appraisal is not an appraisal of value under forced sale or foreclosure conditions.

The fee appraiser's value opinion for all liquidation appraisals will be for the subject property in its "as is" condition.

Repair Requirements

When determining required repairs for liquidation properties, the fee appraiser should consider not only MPRs, but also all repairs needed to increase the cosmetics and marketability of the subject. These repairs should be listed when completing a liquidation appraisal. You must not only list all repairs needed to meet VA requirements, on the VA liquidation addendum, but also include both the cost and contributory values of each repair.

Once the list of repairs has been determined, careful consideration must be given to assigning the cost and contributory value of each repair. VA acknowledges that the appraiser is just that, an appraiser and not a contractor who can determine hard fast quotes as to the costs of these repairs. However, an appraiser is a real estate professional who should be able to draw on his/her experience to determine reasonable estimates for the repairs listed.

VA also realizes that there could be differences between the actual cost and the contributory value of a repair. Large differences should be commented on. Also since VA requires that a liquidation appraisal determine a 'Fair Market Value' by using comparable sales that are arms length transactions, there should be some similarity between the contributory value and the condition adjustments made on the grid. Large differences should be commented on and explained.

Liquidation Addendum

A liquidation addendum, included in this chapter, must be included with **all** liquidation appraisal reports. This addendum should include the following information:

- All repairs needed including the cost and contributory values of each repair.
- Status of the property (vacant or occupied).
 - ✓ If vacant, is it winterized and secured?
 - ✓ If occupied, provide as much information about the occupant as possible (owner, tenant, names, etc...).
- Did you gain access to the subject or not? If not, list of attempts to gain access including dates, times, and conversations.
- Competitive listings including listing price, days on market, comparisons to the subject, etc. Also the following statement is required on each report “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.”
- A complete history of dates and times you received the appraisal assignment, contact attempts, inspections, etc.

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 better condition than the subject may, with proper adjustments to the sales price, may be a better indicator of value than a comparable in a similar condition but in a different area. Also, please note that **distressed sales cannot be used as comparables.**

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):

WINTERIZED? (IF VACANT) _____

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

ANALYSIS OF LISTINGS AND OFFERS:

No. 1 – Address _____
 List Price (current and previous with dates of change)
 \$ _____
 Days on Market ____ Comparison with Subject

No. 2 - Address _____
 List Price (current and previous with dates of change)
 \$ _____
 Days on Market ____ Comparison with Subject

No. 3 – Address _____
 List (current and previous with dates of change)
 \$ _____
 Days on Market ____ Comparison with Subject

COMMENTS/CONTINUATIONS:

Chapter 9: New and Proposed Construction

VA has two separate designations for newly-constructed properties. The first, New Construction, deals with properties that are less than one year old and never occupied. The second, Proposed Construction, deals with properties where construction has not yet begun. Valuation procedures for both types are outlined below.

Built Less Than One Year and Never Occupied (New Construction)

The vast majority of newly-constructed properties will fall under this designation. Generally speaking, properties designated as New Construction should be valued in much the same way as an existing property. Plans and specifications are not necessary, and the property must be valued “as is” or “as repaired.” However, the property cannot be valued until the property is complete to the point of buyer preference items (e.g. carpeting, wallpaper, bathroom fixtures, etc.). Any buyer preference items that have not been completed should be listed as repairs.

If you receive an appraisal request from a lender and determine that the property is not to the point of buyer preference, the appraisal request should be put on hold until it has reached that stage and the lender should be notified.

Proposed Construction

Detailed instructions for Proposed Construction appear in the Lenders Handbook, mostly in Chapters 10 and 11. Required construction exhibits, which should have accompanied the 26-1805, are listed and described on pages 10-22 and 10-23. Appraisal requirements that are unique to proposed construction are covered on pages 11-17 and 11-18. 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. The builder may use an alternate format as long as it is sufficiently detailed for VA appraisal and compliance inspection purposes.
- 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.
- As stated on page 30 of this guide, all proposed construction appraisals must include the following certification:

“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](#), plot plan by Jones, Inc.)] was used to arrive at the estimate of reasonable value noted in this report. ___[appraiser’s signature]___”

Chapter 10: Other Property Types and Situations

Manufactured Housing Classified as Real Estate

Manufactured and modular homes are eligible for appraisal and long-term VA financing, provided that the property is affixed to a permanent foundation and is taxed as real estate. Generally, as is the case with stick-built homes, the property must have ownership that is fee simple. Manufactured homes located in mobile home parks under leasehold arrangements are generally, but not always, ineligible for VA financing.

The appraiser must enter the manufactured home unless it is new and has not been delivered to the dealer or to the site.

If other manufactured homes on permanent foundations are not available for use as comparables, the appraisal report must state that fact, and show in the market analysis grid that the sales prices of the best conventional home sales available were properly adjusted.

For specific requirements regarding acceptable foundation types and other information, please refer to the Lender's Handbook chapter 10.10.

Also, as outlined on page 29 of this guide, please make sure that manufactured home valuations are completed on the **Manufactured Home Appraisal Report**, Freddie Mac Form 70B/ Fannie Mae Form 1004c.

Condominiums and PUDS (Planned Unit Developments)

The appraisal report must:

- Show the amount of the current monthly assessment
- For condominiums, indicate which utilities are/are not included, and

- Comment on the adequacy of the monthly assessment, based upon the appraiser's opinion of the adequacy of the project's budget and a comparison to competitive projects. If the assessment is considered inadequate, a "fair" or "market" assessment must be recommended.

Also, as outlined on page 28 of this guide, please make sure that condominium valuations are completed on the Individual Condominium Unit Appraisal Report, Freddie Mac Form 465 / Fannie Mae Form 1073.

Special Property Problems and Situations

Properties Subject to Flooding

Special Flood Hazard Areas (SFHAs) are those areas in 100-year floodplains delineated on Federal Emergency Management Agency (FEMA) flood maps. SFHAs are usually designated Zones A, AO, AH, AE, A99, VO, VE, or V. Older maps use numbered A and V Zones (for example, A2, V30).

The appraiser must

- Check FEMA flood map(s) for the area in which the property is located
- Notify VA and the lender if the property is **not** eligible for appraisal because it is:
 - proposed or new construction with the elevation of the lowest floor of the dwelling below the base flood level (100 year flood level); or
 - subject to regular flooding, for whatever reason. This causes the property to not meet VA Minimum Property Requirements whether or not it is located in a SFHA.
- If the property is eligible for appraisal and located on a flood map
 - identify the map number and flood zone on the appraisal report, whether or not the improvements are located in a SFHA.
 - If any part of the dwelling is in a SFHA, provide appropriate information in the "Site" section of the appraisal report.

Flood insurance is not required in Zones B, C, X, and D.

Farm Residences

Although VA does not make farm or other business loans, the law allows veterans to use their benefit to purchase a farm on which there is a farm residence.

The appraisal of properties with acreage should not present difficulties if a sufficient number of similar properties in the area were recently sold primarily for residential use. For VA purposes, the valuation must not include livestock, crops or farm equipment and supplies.

Installed facilities (such as well, septic tank, etc.) serving the dwelling will be considered part of the dwelling when, in the opinion of the appraiser, such items contribute to the desirability and residential aspects of the property.

Buildings other than the dwelling will be valued on the basis of the use of the property for residential purposes only.

Properties Near Airports

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

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

Noise Zone	CNR (Composite Noise Rating)	NEF (Noise Exposure Forecast)	DNL (Day/Night Average Sound Level)
1	Under 100 db	Under 30 db	Under 65 db
2	100-115 db	30-40 db	65-75 db
3	Over 115 db	Over 40 db	Over 75 db

- Clear zones are areas of highest accident risk located immediately beyond the ends of a runway.
- Accident potential zones are beyond the clear zones but still have significant potential for accidents. Only military airports identify them.

No existing property will be rejected because of airport influence if that property is already the security for an outstanding VA loan.

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

Type Construction	Noise Zone One	Noise Zone Two	Noise Zone Three	Clear Zone	Accident Potential Zone
Proposed	A	A, B, C, D	E	F	A, C, H, I
New/Existing	A	A, D	A, D	A, C, G	A, C, I

Requirement	
A	The fee appraiser’s market data analysis must include a consideration of the effect on value, if any, of the property being located near an airport.
B	Sound attenuation features must be built into the dwelling to bring the interior DNL of the living unit to 45 decibels or less.

C	Available comparable sales must indicate market acceptance of the subdivision in which the property is located.
D	The veteran must sign a statement which indicates his/her awareness that the property being purchased is located in an area near an airport and that aircraft noise may affect livability, value and marketability of the property.
E	Not acceptable as the security for a VA loan unless the project was accepted by VA before noise zone 3 contours were changed to include it. In that situation, the requirements for proposed construction in noise zone 2 must be met.
F	Not acceptable as the security for a VA loan.
G	The veteran must sign a statement which indicates his/her awareness that the property being purchased is located near the end of an airport runway and that this may have an affect upon livability, safety, value and marketability of the property.
H	The project in which the properties are located must be consistent with the recommendations found in the airport's Air Installation Compatible Use Zone (AICUZ) report.
I	The veteran must sign a statement which indicates his/her awareness that the property being purchased is located in an accident potential zone and that this may have an affect upon livability, safety, value and marketability of the property.

Partial Release of Loan Security

If an appraisal is required per Section 10.05 of the Lender's Handbook, the appraisal report will estimate the reasonable value of:

- the whole property on an "as is" basis, and that portion of the property which will remain as security if the release is approved.

