



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

July 3, 2002

In Reply Refer To: 325/26
Information Letter 26-02-13

TO: ALL VA LENDERS

SUBJ: "NEW" AND "PROPOSED" CONSTRUCTION APPRAISAL REQUESTS

1. **PURPOSE:** This release is designed to help VA approved lenders properly identify and register appraisal requests as either "New" construction or "Proposed" construction. The Department of Veterans Affairs (VA) has identified many instances where lenders are incorrectly ordering "Proposed construction" cases when they should be ordering "New construction" cases, thus creating needless compliance inspection assignments. This causes delays and unnecessary expenses, and is confusing to veterans who feel VA has actually inspected the house for them. Therefore, **it is in the best interests of the veteran and lender to order appraisals as "New construction" whenever possible.**

2. **WHEN IS A PROPERTY ELIGIBLE FOR APPRAISAL AS "NEW CONSTRUCTION"?**

Properties that have been completed (except for customer preference items) for less than one year and have never been owner-occupied are eligible as "New construction". The completion of customer preference items (such as interior wall finishes, floor covering, appliances, fixtures and equipment, etc.) and those improvements for which escrows are permitted can be done without construction exhibits.

Properties appraised as "New construction" must be covered by either

- a one - year VA builder's warranty, or
- a ten - year insurance - backed protection plan, or
- built by a veteran, as the general contractor, for his/her own occupancy.

3. **WHAT IS NOT REQUIRED FOR A PROPERTY TO BE ELIGIBLE FOR APPRAISAL AS "NEW CONSTRUCTION"?**

a. "New construction" appraisals **do not** require construction exhibits, and **do not** require VA or HUD inspections during construction.

b. Lenders should not order a compliance inspection for "New Construction". Lenders may have the assigned VA Fee Appraiser list the uncompleted customer preference items.

4. REFERENCE: VA would prefer that lenders order appraisals under the "Proposed construction" category only when necessary. Therefore, before you request a "Proposed construction" appraisal, we ask that you refer to VA Pamphlet 26-7, VA Lenders Handbook, Revised, Chapter 10, section 10.05 ("Proposed or Under Construction" and "Existing Construction") to be sure the property is properly considered a "Proposed construction" property.

5. 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 Mr. Antione Waller, Valuation Officer (X3970), or 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