



**DEPARTMENT OF VETERANS AFFAIRS**  
**Regional Office**  
**210 Franklin Road S.W.**  
**Roanoke, VA 24011**

August 6, 2008

**TO:** Tidewater Builders Association and Tidewater Mortgage Bankers Association

**SUBJ:** Reconsideration of Value on VA Appraisals and Condo Pre-Sale Requirements

**Purpose**

The purpose of this letter is to reiterate current VA procedures for requesting a reconsideration of value on VA appraisals processed by VA or by a Staff Appraisal Reviewer, employed by a lender approved to review VA appraisals under the Lender Appraisal Processing Program (LAPP), and requesting a reduction of the 70% presale requirement for VA loans in Condominium developments. Additionally, this letter provides an alternative procedure for builders in the Tidewater Area to request a reconsideration of value on a VA appraisal and provides a procedure for assuring consistency in valuing options on new and proposed construction properties.

**Background**

On June 18, 2008, VA staff met with several Tidewater area builders, lenders and the Staff Vice President of the Tidewater Builders Association. During the meeting, the builders expressed their desire to participate in the VA home loan program but at the same time expressed the following concerns:

- Request for reconsiderations of value were not being processed properly by some LAPP lenders
- The VA Condo 70% presale requirement was causing delays in closing of condo sales
- The VA loan limit, for a no down payment loan, was too low and needed to be raised
- VA appraisers are not consistent in valuing options on new and proposed construction properties

**Current Policy and Procedures**

Current VA policy and procedures, relating to requesting a reconsideration of value, are posted in VA Pamphlet 26-7 (VA Lenders Handbook) Chapter 13 section 09. This pamphlet may be accessed on the Internet at <http://www.homeloans.va.gov/lh.htm>. On December 11, 2003, VA issued Circular 26-03-11 to encourage VA program participants to provide relevant market data to VA fee and staff appraisers during the appraisal process. This was done to help limit the number of cases that reach the reconsideration of value phase and also provided a more timely response to those cases that are submitted for reconsideration. This policy is still valid and this circular can be accessed on the Internet at [http://www.homeloans.va.gov/circulars/26\\_03\\_11.pdf](http://www.homeloans.va.gov/circulars/26_03_11.pdf).

Current policy and procedures relating to the 70% presale requirement for VA loans in Condominium Developments are posted in the Code of Federal Regulations, CFR 36.4360a, and can be accessed on the Internet at [http://edocket.access.gpo.gov/cfr\\_2007/julqtr/pdf/38cfr36.4360a.pdf](http://edocket.access.gpo.gov/cfr_2007/julqtr/pdf/38cfr36.4360a.pdf).

On July 30, 2008, President Bush signed into law HR 3221. One of the provisions of this law provides for an increase in the maximum loan guaranty amount based on geographic location. For all locations in the United States other than Alaska, Guam, Hawaii, and the Virgin Islands, the maximum guaranty amount is 25 percent of the greater of: (a) \$417,000 or (b) 125 percent of the area median price for a single-family residence, up to \$729,750.

VA fee appraisers are required to value "extras" or options based on current market data.

### **What Will VA Do?**

By issuance of this letter, VA reminds all VA LAPP lenders that their Staff Appraisal Reviewers are required to process all request for reconsiderations of value in accordance with VA instructions and in a timely manner. Additionally, they are reminded of their responsibility to utilize their authority to increase appraisal up to 5% if supported by market data. Tidewater area builders may forego the standard procedures for submitting a request for reconsideration to the LAPP lender, for new or proposed construction properties, and may instead submit the request to the VA out based senior staff appraisers located in Hampton, Virginia. In most cases, a resolution to the value issue will be made with-in 48 hours. These request may be e-mailed to Don Nunnally at [donald.nunnally@va.gov](mailto:donald.nunnally@va.gov) or Gary Maley at [garrett.maley@va.gov](mailto:garrett.maley@va.gov). Mr. Nunnally and Mr. Maley may be contacted by telephone at 757-441-6762 ext 20 and 757-441-6762 ext 13 respectively.

The Roanoke Regional Loan Center will consider lowering the 70% presale requirement, on a case by case basis, in accordance with the policy as stated in CFR 36.4360a.

The Roanoke Regional Loan Center will work with the Tidewater Builders Association to develop a pre-approved options list that will be utilized by all VA fee appraisers in the Tidewater area when valuing options on VA appraisals for new or proposed construction properties.

### **What if I have questions?**

Questions about this change should be addressed to Greg Shelton or Sandra Goudie, Assistant Valuation Officers at the Roanoke RLC. Mr. Shelton and Ms. Goudie can be reached at 800-933-5499, ext. 3179 and 5063, respectively. They may also be contacted via e-mail at [GREG.SHELTON@VA.GOV](mailto:GREG.SHELTON@VA.GOV) or [SANDRA.GOUDIE@VA.GOV](mailto:SANDRA.GOUDIE@VA.GOV)

  
D.J. Dennehy  
Loan Guaranty Officer