

VA REGIONAL LOAN CENTER

ST. PETERSBURG, FLORIDA

2004

**CONSTRUCTION & VALUATION
TRAINING GUIDE**



**INFORMATION FOR FEE APPRAISERS,
LENDERS' STAFF APPRAISAL REVIEWERS
AND COMPLIANCE INSPECTORS**

TABLE OF CONTENTS

VA Staff	1
New Items in Training Guide	2
VA Appraiser Panel	3
The Appraisal System (TAS)	5
Payment Policy	5
Timeliness	7
E-Commerce	8
E-Mail Addresses	9
Properties Not Eligible for Appraisal	10
Appraisal Report Contents	11
Improving Communication	12
Reconsideration of Value	14
Minimum Property Requirements (MPRs)	16
Properties Near Airports	31
Manufactured Homes	33
Uniform Residential Appraisal Report (URAR)	35
Liquidation Appraisals	39
Appraising Income Properties	42
Appraising Condominiums & PUDs	43
Appraising Proposed Construction	44
VA Builder Identification Numbers	46
Master Certificate of Reasonable Value (MCRV)	47
Appraisal Fee Schedule	49
Staff Appraisal Reviewer's General Topics	50
Local Issues	51
Issuing Notices of Value on Existing Properties	52
Issuing NOVs on Condos & PUDs	53
Issuing NOVs on New Construction	54
Issuing NOVs on Proposed Construction	55

Issuing NOVs on Manufactured Homes	57
NOV Conditions, Chapter 13, VA Lender's Handbook	59
NOV Form	71
Compliance Inspector General Topics	75
Inspection Stages, Chapter 14, VA Lender's Handbook	77
Index	84

**Department of Veterans Affairs
Regional Loan Center
Construction & Valuation Section (261)
P O Box 1437
St. Petersburg, FL 33731**

Telephone Numbers: 727-319-7500 or 1-888-611-5916

Telephone lines open 8:30 AM – 4:20 PM

Fax: 727-319-7762

e-mail: fl/homeloan@vba.va.gov

e-mail for VA Review Appraisers: VAStaffAppraisers@vba.va.gov

See page 9 for e-mail addresses for VA appraisals

Overnight delivery: 9500 Bay Pines Blvd., St. Petersburg, FL 33708

www.vba.va.gov/ro/south/spete/rlc/

VA Lender's Handbook: www.homeloans.va.gov/handbook.htm

[Chapters 10-13 are of interest to appraisers](#)

[Chapter 14 is of interest to compliance inspectors](#)

WHAT'S NEW IN THIS TRAINING GUIDE

Here is a list of the major changes since the last edition of this training guide:

Contact information has been updated. All appraisal questions should be directed to (727) 319-7500 or 1-888-611-5916. A Review Appraiser will be available to assist you.

Since nearly all appraisals are ordered online, the assignment desk is no longer open for designated hours each day. Anyone needing assistance with an assignment should call our office.

Information about a VA initiative to improve communication between appraisers and lenders has been added after a successful pilot program in Virginia.

When there is an indication of a potential environment problem (for example, an abandoned underground fuel storage tank), the appraisal report must be conditioned for correction of the problem according to any local, state or federal requirements.

An addendum with market data supporting time adjustments is no longer required. However, the appraiser should keep this data in his/her file.

On condominium appraisals, the remaining economic life should be included in the comments section.

Instructions for Staff Appraisal Reviewers on issuing Notices of Value on Manufactured Homes have been included.

REMINDERS

Appraisers should use the complete VA case number (for example, 17-17-6-1234567) for the **name of the pdf file** when e-mailing appraisals.

A copy of **every Lender Appraisal Processing Program (LAPP) case** should be e-mailed to LAPPAppraisals@vba.va.gov. This e-mail address is for copies of LAPP cases ONLY. **No other correspondence** should be e-mailed to this address. All **correspondence on LAPP cases** (corrections, value appeals, etc) should be e-mailed to VAStaffAppraisers@vba.va.gov

Origination appraisals that are **not ordered under "LAPP"** should be e-mailed to VAStaffAppraisers@vba.va.gov

VA APPRAISER PANEL

The **VA Lender's Handbook** is available online at www.homeloans.va.gov/handbook.htm
Appraisers should be familiar with **Chapters 10-13** of this handbook.

Appraisers are **required to have an e-mail address** for communicating with VA staff and lenders. Please provide our office with your e-mail address by August 1, 2004.

VA fee appraisers are expected to represent the Department of Veterans Affairs in a manner that reflects **professionalism** and is oriented toward **customer service**. VA fee appraisers are expected to provide a status report on anticipated delivery date of their work when requested by any legitimate party to the transaction: i.e., lender, realtor, buyer/seller. Fee appraisers are not required to defend or discuss the content of reports with all members of the public. Questions on the content of an appraisal report should be directed to our office or the lender's SAR.

Appraisers should contact VA to have their **assignments stopped** for sickness, emergency or vacation. These requests may be e-mailed to VAStaffAppraisers@vba.va.gov

Requests for **reassignment of an appraisal request** may be e-mailed to VAStaffAppraisers@vba.va.gov or may be handled by telephone. Notifying VA to request a reassignment is the **responsibility of the appraiser, not the lender**. This includes cases outside the appraiser's geographic area or cases involving a conflict of interest. VA staff will reassign the case to another appraiser and give the original appraiser the new appraiser's name so the assignment can be forwarded immediately.

Appraisers are required to have an **answering machine or someone answering the phone** during normal working hours (9:00am to 4:30pm) and to inform the industry when the appraiser is not available for assignments.

Appraisers must respond to **messages left by VA staff and lender's Staff Appraisal Reviewers (SARs)** by the next business day at the latest. VA may stop assignments to appraisers when this policy is not followed.

Appraisers are **no longer required to provide a copy of their license** to our office after each license renewal. Our staff obtains this information from the websites of state regulatory agencies.

The appraiser must personally

- view the **interior** and exterior of the subject, and the exterior of each comparable (except on liquidation cases in which entry is not possible)
- select and analyze the comparables
- make the final value estimate, and
- sign the appraisal report as the appraiser.

Appraisers who are found in violation of this requirement will be **removed** from the fee panel.

Any appraisal which is not based on recognized appraisal practices in order to “**accommodate**” the sale price is unacceptable and will result in VA disciplinary action.

All **actions removing appraisers from our fee panel for cause are reported** to the state agency regulating appraisers and professional organizations.

If an appraiser receives **significant professional assistance** in completing the appraisal, the name of the assistant and the specific tasks he/she performed must be stated in the “Reconciliation” section of the URAR. The assistant may sign the report (as an assistant) to document qualifying experience for licensing/certification purposes.

Appraisers should include their **VA ID number** with their name on all appraisal reports and correspondence. When submitting **corrected appraisals**, the appraiser should clearly indicate exactly what has been changed.

Appraisers must wear or show their **VA photo ID** card at each site visit. Appraisers should comply with **a request from the veteran purchaser to be present at the site visit.**

Appraisers are **not** authorized to **speak to any groups** or give **interviews for publication** in an official capacity for VA (for example, lenders’, builders’ and Realtors’ organizations, newspapers or magazines).

Appraisers are encouraged to become a member of the **FHA Roster of Appraisers**. For a VA appraisal to be used for FHA purposes, the appraiser must be on the FHA Roster of Appraisers.

THE APPRAISAL SYSTEM (TAS)

TAS is now located on the Veterans Information Portal. TAS allows appraisal requesters to contact VA via the Internet any time of the day or night to obtain VA assignment of a case number and an appraiser (and compliance inspector on proposed construction cases).

The **Internet address** is: www.vip.vba.va.gov

For help with **user IDs or passwords**, please call our office.

For help with **Technical Problems**, please call: 215-381-3050.

Requesters must e-mail, fax, or mail the TAS-generated VA Form 26-1805 to the assigned appraiser **the same day as the assignment is made**.

Appraisers are expected to check for **new assignments** in TAS and are encouraged to contact lenders about assignments that the appraiser has not received.

PAYMENT POLICY

When a Notice of Value (NOV) is issued or when the requester receives notification from VA that a NOV will not be issued, the requester must send the appraiser his/her fee.

Appraisers are **not authorized to collect the fee from the veteran, seller, or anyone other than the requester**. In rare cases where the requester is an individual, appraisers can request payment in advance without first contacting the VA.

When an invoice has been outstanding for **60 days or more**, appraisers may request assistance from our office in writing. Our office will intercede on the appraiser's behalf.

The appraiser **must provide** the following information:

- VA Form 26-1805
- Invoice sent to the lender

Please do not let invoices go **over 180 days** since the lender will no longer have their records readily available.

Appraisers must include their **federal tax identification number** on invoices.

In accordance with the VA Lender's Handbook, Chapter 10.12, VA offices **may** allow a fee panel member to require payment in advance from a particular lender if both:

- A regular, ongoing payment problem that is well outside of normal business practices is documented by the fee person, and
- The party responsible for payment (**LENDER, not BROKER**) fails to respond to the fee person's written notice about the problem and its possible consequences.

Fee appraisers should always check The Appraisal System (TAS) to find out who the lender is. The "Single Case Detail Status" will show this. Fee appraisers should always send a copy of the invoice to the broker and lender.

VA will contact the lender if there are payment issues and inform the lender it is their responsibility to talk to the broker, but VA expects the lender to ensure that the fee appraiser is paid.

An appraiser **may not** collect fees in advance from a lender **unless** the appraiser has a letter from VA authorizing advance payment from that lender.

VA makes the determination whether the lender will be required to pay the fee appraiser in advance.

After our office has been asked to assist in collecting an unpaid fee, the appraiser **must** notify our office when the fee is collected.

TIMELINESS

Timely service to veterans is a high priority of this office.

Requesters must e-mail, fax, or mail the TAS-generated VA Form 26-1805 to the appraiser **the same day** as the assignment is made.

VA appraisal assignments must be completed just as quickly as appraisals for conventional loans are completed. This should not exceed **five business days** unless there are extenuating circumstances. Weekends and federal holidays are not business days.

Example: An appraisal ordered on a Wednesday should be completed no later than the following Wednesday.

Example: An appraisal ordered on the Wednesday before Thanksgiving should be completed no later than the Thursday of the following week.

Appraisers must **document the URAR in the “Comments on Cost Approach” area** as follows:

R (received) = 12/1/00
A (appraised) = 12/5/00
M (mailed) = 12/6/00

If the dates indicate more than 5 business days, an explanation for the delay must be included.

When a **LAPP case will be late** (seller on vacation, delay getting access from tenant, etc.) the appraiser must notify the lender by e-mail, fax, or telephone.

The VA Lender’s Handbook requires that lenders’ Staff Appraisal Reviewers (SARs) notify VA when fee appraiser timeliness expectations are not being met.

E-COMMERCE

The **St. Petersburg VA Regional Loan Center** was the first VA office to offer this expeditious service to veterans.

Lenders are **encouraged, but not required**, to accept appraisals through e-commerce. TAS will prompt the lender to enter their e-mail address when ordering appraisals and it will appear in Block 5 of the VA Form 26-1805 Request for Determination of Reasonable Value.

Lenders may download "**Acrobat Reader**" free at www.adobe.com **Acrobat Reader** enables lenders to receive e-commerce appraisal reports.

The appraisal package must be in a Portable Document Format (.pdf file) and attached to the e-mail. Appraisers should send only **one appraisal report per e-mail message**.

The **SUBJECT block** of the e-mail message should be **the complete VA case number**, for example, "17-17-6-1234567", not just "1234567". Please do not include anything else before or after the VA case number.

Appraisers should **name or rename the PDF file** with the VA case number "17-17-6-1234567.pdf", not just "1234567.pdf".

Maximum allowable file sizes: 2000KB for existing appraisal
3000KB for proposed appraisal

APPRAISERS NOT PARTICIPATING IN E-COMMERCE

A small number of appraisers who do only a minimal number of assignments for VA are not required to participate in e-commerce.

These appraisers must send **all origination appraisals** to VA or the LAPP lender using an **overnight delivery service at the appraiser's expense**. One copy of all LAPP appraisals should be mailed to VA via U. S. Mail. **All liquidation appraisals must be sent to both VA and the requester** using an overnight delivery service at the appraiser's expense.

It has been our experience that most appraisers who are exempt from e-commerce requirements still choose to participate in e-commerce due to the cost savings.

E-MAIL ADDRESSES

LAPPAppraisals@vba.va.gov

LAPP Appraisals should be **e-mailed to the lender**. If the lender is participating in e-commerce, their e-mail address should be in Block 5 of the appraisal request (VA Form 26-1805).

A copy of all LAPP appraisals (whether or not the lender is participating in e-commerce) **must be e-mailed to VA** at **LAPPAppraisals@vba.va.gov**

If the **lender is not participating in e-commerce**, ONE COPY of the appraisal should be mailed to the lender. The lender may request overnight delivery at their expense.

This e-mail address is for copies of LAPP appraisals only. Please do not send correspondence on LAPP cases, corrections, value appeals, or any other messages to this address.

VAStaffAppraisers@vba.va.gov

Approximately 5% of origination appraisals are not reviewed by LAPP lenders. A VA Review Appraiser must review these appraisals and issue a Notice of Value to the veteran. Our office makes it a top priority to issue these NOVs the same day as the appraisal is received. These appraisals should be e-mailed to VA at **VAStaffAppraisers@vba.va.gov**

General questions, corrections, value appeals, correspondence on LAPP cases, requests to have appraisal assignments reassigned, requests to have assignments stopped for vacation, and other matters requiring the attention of a VA review appraiser should be e-mailed to **VAStaffAppraisers@vba.va.gov**

Using this general address instead of the e-mail addresses for specific review appraisers will ensure that all e-mails are answered promptly by another review appraiser if the assigned review appraiser is on leave or official travel.

Liquidation@vba.va.gov

Liquidation appraisals should be e-mailed to **Liquidation@vba.va.gov**
If the requester provides their e-mail address on the appraisal request, a copy of the appraisal should be e-mailed to the requester.

PROPERTIES NOT ELIGIBLE FOR APPRAISAL

Properties in the following situations **should not be appraised**:

- in **badly deteriorated condition** unless VA agrees that there is reasonable likelihood that it can be repaired to meet VA MPRs.

-**proposed construction or new construction** in a flood zone with elevation of the lowest floor **below the 100 year flood level**.

-in a flood zone where **flood insurance is not available**.

-in an area subject to **regular flooding** (whether or not it's in a flood zone).

-in a **Coastal Barrier Resources System (CBRS) area** (Appraisers are responsible for obtaining maps from the U. S. Geological Survey and checking the location of properties).

-proposed/under construction in a **Clear Zone** or in **Airport Noise Zone 3** (unless VA accepted the project before the Noise Zone 3 contour was changed to include it). Airport Noise Zones are discussed on pages 31-32.

-any part of the residential structure is or is to be located within a **transmission line easement for high-pressure gas, liquid petroleum, or high-voltage electricity** (transmission line easements are discussed on page 28).

-proposed/under/new construction in an area susceptible to **geological or soil instability** unless the builder has provided evidence that the site is not affected or the problem has been adequately addressed in the engineering design.

-**less than fee simple ownership** (for example, leasehold, cooperative, ground rental arrangement) without prior approval of VA Central Office (contact our office for more information).

-**condominium unless there is a reasonable likelihood that VA or HUD will accept the project prior to loan closing**.

-**nonresidential use exceeding 25% of total floor area** or impairing the residential character of the property. If the appraiser determines that the area exceeds 25%, the appraiser must submit a dimensioned sketch of the subject property showing the nonresidential area and may charge a fee proportional to the amount of work completed.

APPRAISAL REPORT CONTENTS

Every VA appraisal report must include:

Appraisal report form on either:

- Uniform Residential Appraisal Report (URAR)
- Appraisal Report - Individual Condominium or PUD unit (FHLMC 465/FNMA 1073) if the subject is a condominium
- Small Residential Income Property Appraisal Report (FNMA 1025) if the subject has 2-4 living units

Statement of Limiting Conditions and Appraiser's Certification (FHLMC 439/FNMA 1004B). No limiting conditions may be added to this form. Certifications required by state law or professional organizations may be made on a separate page if they do not conflict with VA policy.

Location map showing location of subject and comparables

Floor plan sketch showing room layout, exterior dimensions, and square footage calculations (s/f calculations must be on the floor plan or on page 2 of the URAR in cost approach comments)

Photographs - see requirements below

Any **additional appraisal or repair-related information**

Photograph requirements:

Existing cases & Liquidation cases - Front, back, and street scene for subject; Front view of each comparable.

Proposed cases - Same as existing, unless no improvements are under construction. If no improvements are under construction yet, just provide photos of the comparable sales.

Condos over 3 units high - if the subject and comparables are in the same project and are substantially identical, no photos of the comparables are required.

For the **comparable sales**, copies of listing service or advertising pictures are acceptable if they clearly depict the property. Photos of **listings and pending sales** are not required.

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

Program participants are encouraged to provide relevant market data to VA fee appraisers during the appraisal process. This new procedure should help limit the number of cases that reach the reconsideration of value phase. This should in no way suggest that appraisers are being pressured to make appraised values meet or exceed sale prices.

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

When ordering appraisals in The Appraisal System (TAS), the lender should enter the name of a Point of Contact (POC) in field #30, Comments on Special Assessments or Homeowner's Association Charges. The information should read: **POC for Appraisal Issues is: (ex. John Doe, (800) 123-4567, JDOE@XYZ.COM).**

VA fee appraisers are required to notify the listed POC (or the requester if a POC is not provided) when it appears that the appraised value will come in below the sales price of the subject property. The appraiser will not be at liberty to discuss the contents of the appraisal with the POC at this point beyond explaining that he/she is calling for whatever additional information the POC may be able to provide. We expect full cooperation between the fee appraiser and the specified POC or lender.

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

After receipt of any additional information, the appraiser will complete the appraisal report indicating that this process was utilized. If the information provided to the appraiser does not result in an increase in value that meets or exceeds the sales price, the appraiser will report on an addendum the following information: Who provided the information, what

information was provided, and why it did not change the opinion of value. In either situation, the appraiser will include a comment regarding the amount of time this process added to the overall appraisal delivery. VA and Lender Staff Appraisal Reviewers (SARs) will verify that the case was processed in a timely manner.

RECONSIDERATION OF VALUE

The request for a reconsideration of value may come from **any party of interest** (veteran, builder, seller, real estate agent, etc.). The veteran does not have to join in the request. The request must be **in writing** and should be **submitted to the lender**.

Approximately 95% of origination appraisals processed by our Regional Loan Center are under LAPP. If the reconsideration of value involves an appraisal that is not being processed under LAPP, the reconsideration of value request should be submitted directly to VA.

A new VA appraisal must not be requested for any property which already has a valid NOV. However, an **additional appraisal not assigned by VA** can be used to support a request for an increase in value, provided the veteran purchaser was not required to pay any portion of the cost of that additional appraisal.

For LAPP appraisals, if the amount of the requested increase is:

Under 5% - The SAR may increase the value if the increase is clearly warranted and fully supported by market data.*

More than 5%, but less than 10% - The SAR should forward the request to the fee appraiser for review. The appraiser should record the date the request was received, review the request, and e-mail his/her recommendation to VA within 5 business days. If the recommended increase is 5% or less, the recommendation should be forwarded to the SAR.

10% or more - The SAR should forward the request directly to VA.

*SARs may not wish to exercise their authority to change values up to 5% where it is considered to be in **conflict with State requirements**. In some states, including Florida, the agency which regulates appraisers may take the position that any change in value by an appraisal reviewer subjects that individual to the State's requirements for appraisers.

Sales data that is older than the data in the appraisal, sales outside of the subject neighborhood, sales unlike the subject in size, age or condition, and property tax assessments are not generally considered in evaluating an increase.

If information submitted in support of an ROV request requires the fee appraiser to review data that was not available at the time of the fee

appraiser's report, the appraiser will be allowed to charge a reasonable fee (proportional to the amount of work involved) for this service.

MINIMUM PROPERTY REQUIREMENTS

What is expected of the Fee Appraiser:

The fee appraiser is expected to take sufficient time to observe all aspects of the property. The fee appraiser must view every room in the interior and all easily accessible spaces such as the attic, crawl space, basement, garage, and storage spaces.

The fee appraiser is expected to **clearly list any repairs** needed for the subject to meet VA's minimum property requirements in the comments section on page 1 of the URAR or on an addendum that is referenced in the comments section on page 1. For example, the appraiser should state "replace broken window in kitchen" instead of saying "kitchen window is broken".

What is not expected of the Fee Appraiser:

The fee appraiser is **not expected to climb onto the roof.**

The fee appraiser is **not expected to perform operational checks** of mechanical equipment. However, if the appraiser notices that any equipment is broken, he/she should require that the item be repaired. The condition and adequacy of heating and cooling systems must be described using good, average, fair or poor ratings.

The appraiser should not recommend repairs which are **cosmetic** in nature, nice to have, or reflect personal tastes.

The appraiser **should not require certifications or inspections** for roofing, plumbing, heating, or air conditioning. Appraisers should not require inspections for liability protection. The appraiser should require corrective action by licensed personnel if the condition does not appear to be safe, sound, or sanitary; and require nothing if the condition appears satisfactory.

When to recommend rejection of a property:

In most instances, appraisals should be completed with all required repairs listed instead of rejecting properties that do not meet VA MPRs. Appraisers may decide to recommend rejection if there is a structural failure which is determined not to be economically feasible to correct.

The following repair items require special attention:

The **roof** must provide reasonable future utility, durability, and economy of maintenance. The appraiser should make this determination from his/her professional experience. Appraisers should **never require a roof inspection**. If the roof does not appear to have an adequate remaining

life, the appraiser should complete the appraisal subject to installation of a new roof by a licensed roofer.

If a small area of the roof is damaged and the appraiser believes it could be repaired without replacing the entire roof, the appraiser may require that the roof be repaired by a licensed roofer instead of replaced.

VA will accept any type of roofing material as long as it is accepted by the local authorities. Any effect on market value (for example, replacing a tile roof with a shingle roof) should be considered. VA will accept up to 3 layers of shingles. If a defective roof already has three layers of shingles, all old shingles must be removed.

Fee appraisers and SARs don't have the authority to approve waiver requests on roofs. The procedure for all repair waivers is on page 20.

When there is an indication of a **potential environment problem** (for example, an **abandoned underground fuel storage tank**), the appraisal report must be conditioned for correction of the problem according to any local, state or federal requirements.

Any chipping, cracking, scaling, peeling or loose **paint** is considered to be a defective paint condition. This is an MPR (not cosmetic) repair. All defective paint must be corrected no matter how old the house is. If the house was built prior to 1978, assume the paint is lead-based and require corrective action. All repairs involving defective paint must be **certified by the fee appraiser, not the lender.**

If the subject has a well or septic system and **public water or sewer is available** on the same side of the street in front of the house, the appraisal must be made subject to connection to the public water or sewer.

Due to the mild climate in South Florida, **heat is not required in the following counties:** Broward, Charlotte, Collier, Dade, Glades, Hendry, Lee, Martin, Monroe and Palm Beach.

Any permanently installed (or to be installed) **unvented fireplace** or **unvented space heater** using liquid or gaseous fuel must be reported in the appraisal. The SAR will condition the Notice of Value as follows:

- the veteran purchaser's written acknowledgement that the dwelling contains an unvented fireplace or space heater which has not been inspected by VA, and
- a written statement from a heating/air conditioning contractor, that identifies the property and states that the unvented appliance
 - is equipped with an approved Oxygen Depletion Sensor, and

- meets local building authority requirements, or is installed according to the manufacturer's recommendations if there are no local requirements.

The cleaning of the **pool** is considered cosmetic if the water in the pool is green but light enough that the bottom of the pool can be seen. If the pool water is dark and thick with considerable algae growth, it is unsanitary and unsafe, and should be cleaned.

Wood that has been pressure treated, or is redwood, cedar, or cypress does not have to be painted.

Dirty **carpet** is a cosmetic item and does not require cleaning unless it's unsanitary.

The appraiser should not require repairs just because a property does not meet local code unless it is in a "**Code Enforcement Area**" where the local authorities require compliance with code when properties are sold. For example, 200 amp electrical service should not be required simply to meet local code. If the electrical service is not adequate to handle the load, the appraiser should require repair by a licensed electrician as needed for adequate and safe operation.

Any local building authority requirements due to **building code enforcement or urban renewal**, should be addressed on the appraisal.

All rotted wood, whether interior or exterior, must be replaced.

Excessive mildew should be alleviated.

Broken or cracked window panes must be replaced.

Fogged windows do not have to be repaired, however the appraiser should consider them in the overall condition rating of the property.

Torn screens must be repaired or replaced.

Chipped fixtures (sinks, etc.) must be resurfaced or replaced if the chip causes a safety hazard (sharp edge) or causes the fixture to leak.

Painted concrete is an acceptable floor covering.

Burglar bars are acceptable on existing and proposed cases if there is a **release on at least one window per room or another means of rapid egress** (exterior door) from each room.

Rented water heaters are acceptable.

Washing machines and laundry tubs must have proper plumbing. It is not acceptable for laundry detergent to be drained into the yard.

In 1999, trichloroethene and other compounds were discovered in the groundwater at varying levels in the area of the **Vista View** and **Eastern Meadows subdivisions in Montgomery, AL**. **Appraisers who receive an assignment in either of these subdivisions should contact our office before proceeding with the appraisal. Our office will inform the veteran and then advise the appraiser whether or not to complete the appraisal.**

VA does not have a specific written policy on:

- radon
- mold
- sinkholes
- asbestos
- UREA formaldehyde
- toxic waste sites
- radio/communication towers
- earthquakes
- methane gas
- paint containing mercury

VA has no legislation that prohibits guaranteeing loans on properties affected by these items. Appraisers should report that the property is affected by any of these items and consider the affect the above items may have on the market value. Adjustments for these items should be market derived. **There may be cases which should be rejected because of hazardous conditions.** For example, a property may be included in an area which has been declared unsafe for human habitation by the EPA. An appraiser may state that a property is located next to a toxic waste site, but that no public agency has declared the site unsafe. In this case, the affect on market value should be considered, but the case should not be rejected.

Waivers on MPR Repair Items

A required repair may be waived by VA if **all** of the following conditions are met:

- a veteran is under contract to purchase the property, and
- the **veteran** and **lender** request the waiver in writing, and
- the property is habitable from the standpoint of safety, structural soundness, and sanitation, and
- VA** is satisfied that the nonconformity has been fully taken into account by lowering the value determination (since the appraised value was originally estimated “as repaired”)

Certification of Completion of Repairs

The appraiser should **obtain a copy of the NOV** from the lender before doing a repair certification.

The appraiser must certify the repairs as **stated on the NOV** (not as stated on the appraisal).

All MPR repair waivers **must be approved by VA** as described above.

The appraiser should complete the repair certification within **48 hours**.

The completion of all repairs involving **defective paint** must be **certified by the fee appraiser**. Most other certifications may be done by the lender.

Repair certifications should be done on the appraiser’s letterhead. There is **no official VA form to be used for repair certifications**.

There is **no need to send copies of repair certifications to VA**. The lender will place a copy in their file.

The following information on VA Minimum Property Requirements is reprinted from Chapter 12 of the VA Lender's Handbook.

VA Pamphlet 26-7, Revised

Chapter 12: Minimum Property Requirements

12.03 Basic MPRs

Entity

The property must be a single, readily marketable real estate entity.

Nonresidential Use

Any nonresidential use of the property must be subordinate to its residential use and character.

If any portion of a property is designed or used for nonresidential purposes, that property is eligible only if the nonresidential use does not

- impair the residential character of the property, or
 - exceed 25 percent of the total floor area.
 -
 - *Note:* In making this calculation, the total nonresidential area must include storage areas or similar spaces that are integral parts of the nonresidential portion.
-

Space Requirements

Each living unit must have the space necessary to assure suitable

- living
 - sleeping
 - cooking and dining accommodations, and
 - sanitary facilities.
-

Mechanical Systems

Mechanical systems must

- be safe to operate
 - be protected from destructive elements
 - have reasonable future utility, durability and economy, and
 - have adequate capacity and quality.
-

Continued on next page

January 1, 2001

12-6

12.03 Basic MPRs, Continued

Heating

Heating must be adequate for healthful and comfortable living conditions.

If the property has an **unvented space heater**, see the requirements in Section 11.12.

Homes with a **wood burning stove** as a primary heating source must also have a permanently installed conventional heating system that maintains a temperature of at least 50 degrees Fahrenheit in areas with plumbing.

Solar systems for domestic water heating and/or space heating must:

- meet standards in HUD Handbook 4930.2, Solar Heating and Domestic Hot Water Heating Systems, and
- be backed-up 100 percent with a conventional thermal energy subsystem or other backup system which will provide the same degree of reliability and performance as a conventional system.

Note: VA field stations may determine that climatic conditions are such that mechanical heating is not required.

Water Supply and Sanitary Facilities

Each unit must have **the following**:

- domestic hot water
- a continuing supply of safe and potable water for drinking and other household uses, and
- sanitary facilities and a safe method of sewage disposal.

Reference: For requirements regarding **individual** water supplies and individual sewage disposal systems, see Section 12.08.

Continued on next page

12.03 Basic MPRs, Continued

Roof Covering The roof covering must

- prevent entrance of moisture, and
- provide reasonable future utility, durability, and economy of maintenance.

When a defective roof with three or more layers of shingles must be replaced, all old shingles must first be removed.

Crawl Space The crawl space must

- have adequate access
- be clear of all debris, and
- be properly vented.

The floor joists must be sufficiently above the highest level of the ground to provide access for maintenance and repair of ductwork and plumbing.

Any **excessive dampness or ponding of water** in the crawl space must be corrected.

Ventilation Natural ventilation of structural spaces such as attics and crawl spaces must be provided to reduce the effect of excess heat and moisture which could cause decay and deterioration of the structure.

Electricity Each unit must have electricity for lighting and for necessary equipment.

12.04 Shared Facilities and Utilities

Facilities Facilities such as laundry and storage space or heating may be shared in two-to-four living unit buildings under a single mortgage.

Utilities Utility services must be independent for each living unit, except

- living units under a single mortgage or ownership may share water, sewer, gas, or electricity as long as there are separate service shut-offs for each unit, and
- living units under separate ownership may share connections from the main to the building line when those connections are protected by
 - easement or covenant, and
 - a maintenance agreement acceptable to VA.

Individual utilities serving one living unit shall not pass over, under, or through another living unit unless there is a legal provision for permanent right of access for maintenance and repair of the utilities without trespass on adjoining properties.

12.05 Access-Related Issues

Access to Property

Each property must be provided with a safe and adequate pedestrian or vehicular access from a public or private street.

Private streets must be

- protected by a permanent easement, and
- maintained by a homeowners association or joint maintenance agreement.

All streets must have an all-weather surface.

Access to Living Unit

Access to the living unit must be provided without passing through any other living unit.

Each living unit must be able to be used and maintained individually without trespass upon adjoining properties. Any easements required must run with the land.

Access to Rear Yard

Access to the rear yard must be provided without passing through any other living unit.

For a row-type dwelling, the access may be by means of

- alley
 - easement
 - passage through the subject dwelling, or
 - other acceptable means.
-

Access for Exterior Wall Maintenance

There must be adequate space between buildings to permit maintenance of the exterior walls.

12.06 Hazards and Defective Conditions

Hazards

The property must be free of hazards which may

- adversely affect the health and safety of the occupants
 - adversely affect the structural soundness of the dwelling and other improvements to the property, or
 - impair the customary use and enjoyment of the property by the occupants.
-

Defective Conditions

Conditions which impair the safety, sanitation, or structural soundness of the dwelling will cause the property to be **unacceptable** until the defects or conditions have been remedied and the probability of further damage eliminated. Such conditions include but are not limited to

- defective construction
 - poor workmanship
 - evidence of continuing settlement
 - excessive dampness
 - leakage
 - decay, and
 - termites.
-

Drainage

The site must be graded so that it

- provides positive, rapid drainage away from the perimeter walls of the dwelling, and
 - prevents ponding of water on the site.
-

Wood Destroying Insects/Fungus/Dry Rot

Appraisers must look for and report evidence of wood destroying insect infestation, fungus growth, and dry rot in addition to any VA requirement for an inspection of the property by a wood destroying insect inspector.

Continued on next page

12.06 Hazards and Defective Conditions, Continued

Lead-Based Paint

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.

Appraisers 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
- recommend correction.

Any defective paint condition identified must receive adequate treatment to prevent the ingestion of contaminated paint. Either

- the surface requiring treatment must be thoroughly washed, scraped, wirebrushed or otherwise cleaned to remove all cracking, scaling, peeling, chipping and loose paint and then repainted with two coats of a suitable nonleaded paint, or
- the paint shall be completely removed or the surface covered with a suitable material such as gypsum wallboard, plywood or plaster before any painting is undertaken if the paint film integrity of the surface needing treatment cannot be maintained.

Party Walls

A building constructed to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the roof ridge. The wall may separate row type townhouses or semi-detached units.

12.07 Fuel Pipelines and High Voltage Electric Lines

Gas and Petroleum Pipelines

No part of any residential structure may be located within a high pressure gas or liquid petroleum pipeline easement.

Any detached improvements even partially in the pipeline easement will not receive value for VA purposes.

If a proposed residential structure will be located outside the pipeline easement, but within an area that extends 220 yards on either side of the centerline of the pipeline itself, the VA notice of value will be conditioned for the following, as applicable:

- High Pressure Gas Pipelines – A statement from an authorized official of the pipeline company certifying compliance with 49 CFR 192.607, 192.609, 192.611 and 192.613.
- Liquid Petroleum Pipelines – A statement from an authorized official of the pipeline company certifying compliance with 49 CFR 195 and amendments thereto.

[\[49 CFR 192.607, 192.609, 192.611 and 192.613\]](#)

[\[49 CFR 195\]](#)

High Voltage Electric Transmission Lines

No part of any residential structure may be located within a high voltage electric transmission line easement.

Any detached improvements even partially in a transmission line easement will not receive value for VA purposes.

12.08 Individual Water Supply/Sewage Disposal Requirements

Connection to Public System

Connection to a public or community water/sewage disposal system is required whenever feasible.

Water Quality

Water quality for an individual water supply must meet the requirements of the health authority having jurisdiction. If the local authority does not have specific requirements, the maximum contaminant levels established by the Environmental Protection Agency (EPA) will apply.

If the health authority is unable to perform the water quality analysis in a timely manner, a commercial testing laboratory or a licensed sanitary engineer acceptable to the health authority may take and test the water sample.

Water Treatment Systems

Water treatment systems are not acceptable for wells which do not meet VA quality standards due to insufficient depth or a contamination source near the supply.

However, if public water is not available and individual water supplies in the area are served by an aquifer confirmed by the health department to be contaminated, the property is eligible for a VA loan if the lender provides

- a copy of the health department letter confirming the aquifer contamination
 - evidence that all of the requirements in HUD Mortgage Letters 92-18 and 95-34, concerning individual water purification systems, have been met for the property, and
 - the veteran purchaser's written acknowledgment that he/she understands that the well water serving the property must be continuously treated by the homeowner, as required by the local health department, to be considered safe for human consumption.
-

Continued on next page

12.08 Individual Water Supply/Sewage Disposal Requirements

12.08 Individual Water Supply/Sewage Disposal Requirements, Continued

Shared Wells

The following requirements must be met for a shared well:

- The well must be capable of providing a continuing supply of safe and potable water to each property simultaneously, so that each dwelling will be assured a sufficient quantity for all domestic purposes.
 - There must be a permanent easement which allows access for maintenance and repair.
 - There must be a well-sharing agreement which
 - makes reasonable and fair provisions for maintenance and repair of the system and the sharing of those costs
 - is binding on the signatory parties and their successors in title, and
 - is recorded in local deed records.
-

Springs or Cisterns

Springs or cisterns are permitted where such facilities are customary and the only feasible means of water supply, provided they are installed in accordance with the recommendations of the local health authority, and the veteran purchaser acknowledges in writing his/her awareness of the situation.

If the local health authority has no requirements, U.S. Public Health Service requirements apply.

Sewage Disposal System

An individual sewage disposal system must adequately dispose of all domestic wastes in a manner which will not create a nuisance, or in any way endanger the public health.

Pit Privies

Individual pit privies are permitted where such facilities are customary and are the only feasible means of waste disposal, provided they are installed in accordance with the recommendations of the local health authority.

If the local health authority has no requirements, U.S. Public Health Service requirements apply.

PROPERTIES NEAR AIRPORTS

The following information was taken from Chapter 11 of the VA Lender's Handbook. This information is provided here to assist appraisers and Staff Appraisal Reviewers in determining VA requirements for properties near airports.

Appraisers are responsible for **maintaining noise zone maps for airports in their assigned area.**

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.

Continued on next page

Properties Near Airports
(continued)

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.
	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.

January 1, 2001

11-24

MANUFACTURED HOMES

The States of Alabama, Florida, and Mississippi each have a Manufactured Home Commission regulating the installation of manufactured homes. According to **state law in each of these states**, all manufactured home installations must be done by a properly licensed individual.

In each of these states, candidates for licensure must complete training requirements and pass an exam. Licensees must take continuing education classes regularly. All installations are subject to inspection by state inspectors for compliance with all applicable codes.

The licensed installer must **affix a decal issued by the state** to the manufactured home. Typically, the decal will be affixed near the HUD label. Otherwise, the decal should be affixed to the lower left corner at the taillight end of the home.

The appraiser must either:

- state on the URAR that the **licensed installer's decal was affixed to the manufactured home**

OR

- mark page 2 of the URAR "subject to repairs" with the following condition "**Provide evidence from a licensed installer that the manufactured home is installed in accordance with current state requirements or retrofitted as closely as possible**". The SAR or VA staff will then place this requirement in Item #20 of the Notice of Value (NOV).

VA no longer requires installation of a **perimeter wall**.

On proposed cases, the **VA compliance inspector** will verify that a decal has been affixed by a state-licensed installer at the final inspection.

All manufactured home installations must be completed by state-licensed installers. The work of **professional engineers, general contractors** and others in the construction field is **not acceptable** unless they also hold a manufactured home installer's license from the state.

Manufactured homes must be **classified and taxed as real property**.

If the appraiser states on the URAR that **no other manufactured home sales are available for use as comparables**, the appraiser may use the best available comparable sales that are not manufactured homes.

If the manufactured home is proposed, the following **construction exhibits** are needed:

- Description of Materials (VA Form 26-1852) for the foundation
- Plot Plan
- Foundation Plan (showing piers/anchorage details)
- Floor Plan*
- Exterior Elevations*
- Details of mating line piers if property is a double-wide
- Appropriate construction exhibits for any on-site improvements (for example, garage, deck, porches, patios)

*Floor plan and elevations may be from manufacturer's advertising or technical installation manual.

Our office receives a very limited number of appraisal requests for appraisals of manufactured homes **without land**. The appraiser is asked to please include copies of the pages of the Manufactured Housing Guide of the National Automobile Dealers Association (NADA) book used to complete the appraisal in the appraisal report.

The Uniform Residential Appraisal Report (URAR)

This section highlights areas of concern the appraiser should address when completing the URAR. This section is organized with items in the **same order as they appear on the URAR.**

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 for the extremely rare case in which a “restricted” appraisal is justified.
- With the exception of liquidation appraisal updates, VA prior approval is required for any case in which the USPAP departure rule is used.
- The USPAP jurisdictional exception permits Federal agencies to follow their own requirements when there is a conflict between USPAP and Federal agency requirements.

VA considers **reasonable value** and **market value** to be synonymous. VA's definition of market value is consistent with that used by Fannie Mae, Freddie Mac, and major appraisal organizations. The reasonable value of a property is that figure which represents the amount a reputable and qualified appraiser, unaffected by personal interest, bias, or prejudice, would recommend to a prospective purchaser as a proper price or cost in the light of prevailing conditions.

Any appraisal which is not based on recognized appraisal practices in order to “**accommodate**” the sale price is unacceptable and will result in VA disciplinary action.

The **VA Case Number** must be in the upper right corner of each page of the URAR.

If the subject **address** is a rural route and box number, the appraiser should provide the street name and “pencil in” any needed streets on the location map.

The appraiser must include the **complete legal description** on the URAR or on an addendum. The requester must provide a complete legal description with the appraisal order. The appraiser is responsible for verifying the legal description.

The following 4 items must be in the **Neighborhood Section** of the URAR:

1. The following certification: **“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.”**
2. The extent of **increase or decrease in average marketing time** (for example in the last 3 months, the listing period in this market area decreased from 180 to 90 days)
3. Typical **sales price to listing price ratio**
4. A statement on the prevalence of **sales/financing concessions**.

If the appraiser provides an addendum with listing information to support a trend as described in item #1 immediately above, the addendum must include three listings or contract offerings. For each listing/contract offering, it must show: the Multiple Listing Service listing or the typical information included in an MLS listing, how long the property was on the market, any changes in listing price, and a short statement comparing the property to the subject.

Report any **Airport Noise Zone, Clear Zone, and Accident Potential Zone** information in the site section. It is the appraiser’s responsibility to obtain the appropriate maps from major airports in the area. Information from the VA Lender’s Handbook on these zones is reprinted on pages 31-32.

Any **excess land** should be described in the site section. Farm residences shouldn’t be difficult to appraise if a sufficient number of similar properties are in the area. Although VA doesn’t make farm or other business loans, the law allows veterans to use their Loan Guaranty benefit to purchase a farm that includes a farm residence. The appraiser must not value any livestock, crops or farm equipment. **Barns and other buildings** should be valued only as they contribute to the residential nature of the property.

The appraiser must provide up to date **flood zone information** including the map panel number and zone. Flood insurance is not required in zones B, C, X & D.

On origination appraisals, **MPR repairs** should be shown at the bottom of page one in the **Comments section - condition of improvements** or on an addendum if the repair list is lengthy.

Any **unvented fireplace** or **unvented space heater** using liquid or gaseous fuel must be reported in the Comments section, condition of improvements on page one.

The **cost approach is not required** unless it is needed for support on an unusual case.

The **dates the appraisal assignment was received, appraised, and e-mailed** should be shown in the cost approach comments area.

The estimated **remaining economic life** should be provided. If the estimate is less than 30 years, an explanation should be provided. For condominiums, the estimated remaining economic life should be provided in the comments section.

The appraiser must select the **three best comparable sales available**.

The appraiser should include an explanation for:

- a **wide range in comparable sales prices**
- any reliance on sales that are **not truly comparable**
- **large adjustments**
- use of **comparable sales over 1 year old**
- any reliance on sales **outside the market area**

A single data source is adequate for **sales verification** if it provides quality sales data verified by closed transactions. Sales data provided by a party to the sale or financing of the subject property must be verified by a party without such an interest.

Good comparables require minimal adjustments. Adjustments based on anything **other than market reaction** (for example, builder costs) are not acceptable.

Listings, pending contracts, and unsettled sales may not be used as comparable sales.

On the market data grid, give **no value to satellite dishes or above-ground pools on the subject property** (no matter how far the pool is in the ground). If these items are mentioned in the features on page one of the URAR, include a notation that they were given no value.

Any **additions to the comparables after the sale date** should be noted in the comments (such as new pools, porches, or car storage enclosures).

The appraiser should mark the box for **“as-is” if the subject meets VA MPRs**.

If repairs are required, the appraiser should mark the box for **“subject to repairs”** and include the following statement in the “conditions of

appraisal” in the Reconciliation Section: **“Subject to the MPR repairs noted in the comments section”**.

If the **purpose of the VA guaranteed loan is to make alterations, improvements, or repairs costing in excess of \$3500**, the appraiser must provide an “as-is” value in addition to the “subject to repairs” value (for example, a veteran may be refinancing to add a swimming pool.)

LIQUIDATION APPRAISALS

All liquidation appraisals must be for **highest and best use** and the property must be valued “**as-is**”. A liquidation appraisal is **not an appraisal of value under forced sale or foreclosure conditions**.

All liquidation appraisals must be completed within **5 business days** except for vacant properties in Alabama and Mississippi where appraisers may have to hold assignments until the requester can arrange for access to the interior.

The appraiser must make at least three attempts to gain access to a property. If access can't be gained and the property is **occupied**, an appraisal may be completed from the street.

If the property is **vacant and located in Alabama or Mississippi**, the appraiser should immediately notify the requester about any problems gaining access and place the assignment on hold until access can be gained. The 5 day time frame starts when access becomes available. Holding these cases will not effect the number of assignments fee appraisers receive from VA.

For **vacant properties in Florida**, if the appraiser is unable to obtain access from the owner or the requester, the appraiser should complete the appraisal from the street and observe the 5 day time frame from the date the assignment was received.

If the subject is in a **gated community** and the appraiser is unable to get through the gate to see the exterior of the home, or if the subject is **out of view from the public road**, the assignment should be placed on hold until access to view the exterior can be arranged through the requester. This office will not accept appraisals performed “sight unseen”.

The appraiser must state whether the subject is **occupied or vacant**. If the subject is vacant, specify whether it is **secure or unsecure**.

The appraiser must provide a **repair list** with the cost and contributory value of each repair item needed to make the property meet VA's Minimum Property Requirements and each cosmetic repair item that affects the marketability of the property. This must include any repairs needed to secure the property. If access is not available, a list of all repairs visible from the street should be provided.

The appraiser must provide three **competitive listings**.

If the structure has been **extensively damaged by fire** so that it has no contributory market value, the appraiser should appraise the land (using land sales) and any unaffected improvements, adjusting if necessary for the cost of demolishing the structure. No “as repaired” value is required in this situation. The Land Appraisal Report form may be used.

All liquidation appraisals should be **e-mailed to VA** at Liquidation@vba.va.gov with **a copy to the requester** if the requester provides their e-mail address on the appraisal request.

The following addendum is from Chapter 11 of the VA Lender's Handbook. Fee appraisers may copy this addendum form or provide the information in a similar format.

A Pamphlet 26-7, Revised Chapter 11: Appraisal Requirements

Figure 1: Liquidation Appraisal Addendum Example

LIQUIDATION APPRAISAL ADDENDUM FOR CASE NO. _____

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

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

PROPERTY VACANT OR OCCUPIED? _____ **PROPERTY SECURED?** _____

REPAIRS NEEDED? _____ (indicate emergency repairs with an asterisk by the number):

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

ANALYSIS OF LISTINGS AND OFFERS:

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

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

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

COMMENTS/CONTINUATIONS: _____

APPRAISING INCOME PROPERTIES WITH 2-4 LIVING UNITS

The appraisal should be prepared on the **Small Residential Income Property Appraisal Report** (FNMA 1025).

Income property appraisals are **eligible for processing under LAPP**.

Do not include **illegal units** in value. **Grandfathered units** may be valued. However, the fact that a unit is grandfathered must be reported.

If a property has a **guest house** which cannot be legally rented, the appraisal should be done on the URAR with no value given to any rental income. The guest house should be valued as it contributes to the residential nature of the property.

Property owners will sometimes add living units without obtaining approval from the local authorities. Local regulations vary greatly. In some areas, **city code enforcement departments** are quite vigilant in requiring the removal of illegal units.

Living units in a 2-4 unit property may **share water, sewer, gas and electricity** as long as there are separate service shut-offs for each living unit. Laundry, storage, and heating may also be shared.

The appraiser will use value estimates developed through **both the income approach and the sales comparison approach** in the final reconciliation.

APPRAISING CONDOMINIUMS & PUDs

CONDOMINIUMS

Appraisals of condominiums must be prepared on the **Appraisal Report - Individual Condominium or PUD Unit** (FNMA 1073/FHLMC 465).

The **HOA fee**, a **list of the common elements**, and any **utilities included in the HOA fee** should be provided in the appraisal.

The appraiser must comment on the **adequacy of the monthly assessment** based on the adequacy of the project's budget and a comparison to competitive properties. If the monthly assessment is believed to be inadequate, the appraiser should recommend a fair assessment.

The appraiser's estimate of the **remaining economic life** should be included in the comments section.

If there are any **commercial or other non-residential ownership interests** in the condominium, the appraisal report must include them and their impact on the value of the residential units.

The appraiser does not need to check on VA condo approval. The SAR or VA Staff will do that when issuing an NOV.

Instructions for SARs concerning condos are on page 53.

PUDs

Appraisals of properties in PUDs should be done on the **URAR**.

The appraiser should mark the **PUD block**, report the **HOA fee** and complete the PUD section on page one of the URAR including a list of the common elements.

If the HOA fee is **voluntary**, the PUD block should not be marked.

VA is **no longer maintaining a list of approved PUDs**.

Instructions for SARs concerning PUDs are on page 53.

APPRAISING PROPOSED CONSTRUCTION

The following **certification** should be included on the appraiser's **floor plan** or on the **floor plan page of the building plans** on all proposed cases:

"I hereby certify that the information contained in _____ (specific identification of all construction exhibits (for example, 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)"

Only **1 set of plans and specifications** is required to be scanned and e-mailed with the appraisal. The lender is now responsible for forwarding a set of plans/specs to the VA assigned compliance inspector.

The appraiser should include no more than the following **construction exhibits**:

- Description of Materials (VA Form 26-1852)
- Plot Plan
- Foundation Plan
- Floor Plan
- Exterior Elevations
- Wall Section

If the appraiser has **enough construction exhibits to perform the appraisal**, the appraisal should be completed. The SAR or VA staff will condition item #20 of the Notice of Value (NOV) for any missing exhibits.

Plans/specs must be **no larger than legal size paper**.

Plans/specs must be **legible** (IF YOU CAN'T READ IT - WE DON'T WANT IT).

Specification formats which substantially conform to VA Form 26-1852, Description of Materials, are acceptable.

The appraiser must **calculate the square footage** of living area. The appraiser must not rely on the builder's square footage figure. Square footage calculations and exterior dimensions must be shown on the sketch. Appraisers may copy the builder's floor plan drawing and use it as a sketch.

PROPOSED or EXISTING ??????????????????

Existing Construction - only customer preference items are needed
Proposed Construction - more than customer preference items are needed

Examples:

<u>Items</u>	<u>Customer Preference Items</u>	<u>Not Customer Preference</u>
	Wall finishes	Electrical Wiring
	Floor covering	Plumbing Fixtures
	Appliances	Drywall
	Interior painting	Rough Grading
	Minor trim work	Roof shingles
	Sodding/seeding	Exterior doors
	A/C Equipment	Windows

If a set of plans/specs is included with an appraisal order, yet the house is existing, the appraiser should contact the requester and discuss how to proceed. If the requester can't be reached promptly the appraiser should appraise it as "**proposed construction**".

On proposed construction assignments, the appraiser should not value anything that isn't incorporated into the plans/specs. For example, don't consider

- verbal input from builders, lenders, or anyone else
- items labeled "**optional**" or "**opt**" in the plans/specs
- items in a sales brochure
- items in a model home
- **items in the sales contract**

Don't value items that have been constructed if they are not in the plans/specs (please note any discrepancies in your report). **If the plans/specs differ, rely on the specs** and note the discrepancy in the appraisal report.

Select comparable sales that have recently sold as new homes if available. Utilizing sales that are sold as older existing previously-occupied properties when appraising proposed construction cases is not acceptable when sales of new homes are available in the market area.

Building plans **no longer need to be certified before an NOV** is issued, so the appraiser doesn't need to look for any certifications on the plans. The SAR or VA staff will place a condition on the NOV if the plans are not certified.

VA BUILDER IDENTIFICATION NUMBERS

VA is not empowered to regulate the building industry; it therefore, does not approve builders. Builders need only register with VA to obtain a VA Builder ID number. The VA builder ID number is **not to be interpreted as VA approval of the builder**. The VA builder ID number is used to track builder compliance with VA requirements, as authorized by Title 38, U.S.C. 3704. There is no VA Approved Builders List, only a VA Registered Builders List. The licensing of builders is regulated by the state or municipality of jurisdiction.

On all proposed and new construction cases, the **builder must have a valid VA identification number**, unless the veteran is building his/her own home.

The VA Lender's Handbook, in Chapter 10, Section 8, allows an **exception to construction warranty requirements**. This is an exception to providing a warranty, not an exception for having a valid builder identification number.

A **veteran may act as a general contractor** in building a home for his/her own occupancy. The veteran must agree to pay for any special inspections necessary to ensure that the work meets VA Minimum Property Requirements for existing (not proposed) construction.

MASTER CERTIFICATE OF REASONABLE VALUE (MCRV)

The request must include the construction exhibits needed in a proposed construction case for each model in addition to these items:

- Plat** showing locations of all lots
- completed **MCRV Worksheet** (VA Form 26-1843b)
- Building Program Statement** which includes:
 - total number of dwellings to be built in project
 - number of dwellings anticipated, starting and completion dates for primary phase
 - details on construction, dedication, and maintenance of streets and utilities
 - details of any special assessments to be assumed by purchaser

A URAR should be prepared for each model. The appraisal should be done under the guidelines for proposed cases. The following information is also needed:

- narrative analysis of the project including:
 - current status of project (development stage, number of sales)
 - status of off-site improvements (streets, common areas)
 - any condo/PUD information not sufficiently covered on URAR
- list of all options with a value estimate for each one
- list of all offsite improvements included in value
- list of all lots/units including:
 - each lot number or legal description
 - value estimate for each lot
 - total value estimate for each lot and basic improvements to be built on it (or schedule providing for substitution of models on individual lots)

Use the **lowest valued lot**, not the typical lot for the **base value**.

The appraiser must gain access to any existing units and adjust for condition if necessary. The additional fee for inspecting each existing unit is \$30.00.

If the plans show more than one elevation, indicate which one was appraised.

The timeliness requirement for MCRVs is **15 days**.

Appraisers may accept model and lot additions **directly from the lender**.
The fee for lot additions after the MCRV is issued is \$10.00 each.

The **fee schedule** is on pages 49.

The appraiser should e-mail the completed MCRV to VA at
VAStaffAppraisers@vba.va.gov

MCRVs are **not eligible for LAPP**.

APPRAISAL FEE SCHEDULE

This fee schedule is effective in Alabama, Florida and Mississippi.

Individual Appraisals, Existing and Proposed

One Family	\$300.00
Two Family	\$400.00
Three Family	\$450.00
Four Family	\$500.00
Condominium	\$335.00
Manufactured Home(perm. foundation)	\$300.00

Master Certificate of Reasonable Value (MCRV)

Each Basic Plan Type	\$300.00
Each Condominium Plan	\$335.00
Each Lot or Unit	\$ 5.00
Each Lot or Unit ADDED after issue	\$ 10.00
Minimum Fee	\$600.00

Manufactured Home

Manufactured Home Unit	\$210.00
Manufactured Home Unit and Lot	\$300.00
Lot Only	\$160.00
Manufactured Home (perm. Foundation)	\$300.00

Miscellaneous

Partial Release Single Family	\$325.00
Repair Certification	\$ 65.00
Existing MCRV Condition Inspection	\$ 35.00

COMPLIANCE INSPECTION FEE SCHEDULE

Compliance Inspection	\$100.00
Mileage (if outside assigned area)	\$.375 per mile

STAFF APPRAISAL REVIEWER'S (SAR's) GENERAL TOPICS

Timely service to veterans is a high priority of this office. SAR's are required to send the veteran the Notice of Value (NOV) and a copy of the reviewed appraisal report **within 5 business days** of the lender's earliest receipt of the appraisal report by the SAR or an authorized agent/broker. LAPP Lenders are **responsible for resolving any timeliness problems** involving authorized agents and branch personnel.

The VA Lender's Handbook requires that lenders' Staff Appraisal Reviewers (SARs) notify VA when fee **appraiser timeliness expectations** are not being met.

All complaints about **appraiser performance or property condition** should be referred to VA.

Every property eligible for LAPP should be processed under LAPP. If a LAPP lender fails to process an eligible property under LAPP, the request for guaranty must include a detailed explanation.

NOVs should be issued in **TAS (The Appraisal System)**. If a lender is experiencing computer problems or TAS is not in operation, SARs may issue NOVs without using TAS, and then input the NOV in TAS at a later date. If there is a lengthy delay in entering the NOV in TAS, the SAR should include a comment in the "SAR Comments" in TAS. A blank NOV form is on page 71.

If the appraiser makes a **typographical or mathematical error**, the SAR should have the appraiser correct the appraisal. Then, the SAR may issue the NOV using the corrected appraisal.

Appraisals involving **HUD value determinations** are not eligible for LAPP.

Lenders are **expected to cooperate on a reciprocal basis** when a veteran purchaser chooses to have his/her mortgage transaction completed by a lender other than the one who ordered the appraisal. Since LAPP NOVs are not transferable to another lender, the new lender must review the appraisal and issue an NOV.

LOCAL ISSUES

SARs are responsible for staying informed about local VA requirements unique to the VA jurisdiction in which a property is located.

Local requirements for all states are available online at http://www.homeloans.va.gov/cav_approved_local_conditions.htm

Item #2 on the NOV (**Wood Destroying Insect Information**) is required on all NOVs for properties in Alabama, Florida and Mississippi with the following exception: If the unit is in a low-rise or high-rise condominium, a termite inspection is not required unless the appraiser reports a termite problem.

All **manufactured homes** in Alabama, Florida, and Mississippi must be installed by a licensed installer. Please see pages 33-34 and 57-58 for more information on manufactured homes.

Due to the mild climate in South Florida, **heat is not required in the following counties:** Broward, Charlotte, Collier, Dade, Glades, Hendry, Lee, Martin, Monroe and Palm Beach.

In 1999, trichloroethene and other compounds were discovered in the groundwater at varying levels in the area of the **Vista View** and **Eastern Meadows subdivisions in Montgomery, AL**. **Appraisers who receive an assignment in either of these subdivisions should contact our office before proceeding with the appraisal. Our office will inform the veteran and then advise the appraiser whether or not to complete the appraisal.**

SARs may not wish to exercise their authority to change values up to 5% where it is considered to be in **conflict with State requirements**. In some states, including Florida, the agency which regulates appraisers may take the position that any change in value by an appraisal reviewer subjects that individual to the State's requirements for appraisers.

The following **leaseholds** are fully approved by VA:
Fairhope Single Tax District, AL
Pearl River Valley Water Supply District, MS
Santa Rosa Island, FL

ISSUING NOTICES OF VALUE ON EXISTING (OVER 1 YEAR OLD) PROPERTIES

If the property is existing and over 1 year old, Item #1 on the Notice of Value (**Energy Conservation Improvements**) should always be marked.

Item #2 on the NOV (**Wood Destroying Insect Information**) is required for all properties in Alabama, Florida and Mississippi with the following exception: If the unit is in a low-rise or high-rise condominium, a termite inspection is not required unless the appraiser reports a termite problem.

All repairs involving **defective paint** must be certified by a fee appraiser.

Compliance inspectors do not inspect repairs on existing properties unless the loan involves alterations or improvements for which plans and specs are needed.

Repairs listed on the NOV involving roofing, heating, plumbing, electrical or structural work should include a notation that the work is to be done by a **licensed** individual.

Whenever there is an **unvented fireplace or unvented space heater**, the NOV should be conditioned as shown on page 17.

Information on Airport Noise Zones is reprinted on pages 31-32. If the fee appraiser reports the subject is in a noise zone, the NOV should be conditioned as indicated.

ISSUING NOTICES OF VALUE on CONDOMINIUMS and PUDs

VA is no longer maintaining a list of approved PUDs. Condos must still be approved by VA.

Item #3 on the NOV should be marked if the subject is located in a PUD or a condominium.

The **status of condo approvals may be checked online in TAS** (The Appraisal System).

VA will accept condominiums that have been fully approved by HUD. VA will not accept “spot” approvals by HUD.

If the condo is **not VA approved**, the NOV will be conditioned: “This condominium must be approved by VA before any of its lots/units are eligible for VA loan guaranty.”

If the condo is **conditionally VA approved** (related requirements need to be satisfied), the NOV will be conditioned: “Evidence must be provided that VA requirements for this condominium have been met.”

Chapter 16 of the VA Lender’s Handbook explains **how to get condos VA approved**. There is an option described in Chapter 16, part B, which VA encourages, to expedite approval by **having an attorney review the condo documents** and issue an opinion that the documents meet VA requirements.

If the unit is in a low-rise or high-rise condominium, a **termite inspection** is not required unless the appraiser reports a termite problem.

ISSUING NOTICES OF VALUE ON NEW CONSTRUCTION

New construction is appraised **without plans and specifications**. The fee appraiser must mark the URAR “**as-is**”, or “**subject to repairs**” if some customer preference items need to be completed. Customer preference items are described on page 45. New construction includes properties that have been completed less than one year and never owner-occupied.

Before issuing the NOV, the SAR must make sure the **builder has a valid VA builder identification number**. Builder ID numbers may be found online in TAS (The Appraisal System).

The following items are required on the NOV on **all** newly constructed properties:

- Item 2 - Wood Destroying Insect Information (either 2a or 2b)
- Item 12 - “Not Inspected” Acknowledgment (mark 12a for 1 yr warranty, or 12b for 10 yr warranty)
- Item 14 - Energy Efficient Construction
- Item 15 - Lead/Water Distribution System
- Item 16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority – for example, if the lender just closed another case on the same block or the subject is a new home in an older, established neighborhood)

The **NOV must include either:**

- Item 13 - (Ten-Year Insured Protection Plan)
- OR
- Item 19 (Construction Warranty) for 1 yr Builder Warranty

The **following items should not be required:**

- Item #1 (Energy Conservation Improvements)
- Item #17 (Proposed Construction)
- Item #18 (Construction Inspections)

Many newly constructed homes are in **PUDs**. If the subject is in a PUD, Item #3 should be marked on the NOV.

In reviewing the appraisal, the SAR may find that other conditions such as Item #5 (Water/Sewage System Acceptability) and Item #8 (Flood Insurance) apply. This section is simply a guide to help with issuing NOV's on new construction.

ISSUING NOTICES OF VALUE ON PROPOSED CONSTRUCTION

Before issuing the NOV, the SAR must make sure the **builder has a valid VA builder identification number**. Builder ID numbers may be found online in TAS (The Appraisal System).

The following **construction exhibits** are needed. If any of these items are missing, the SAR must condition the NOV (Item #20) for them:

- VA Form 26-1852**, Description of Materials (or a form which substantially conforms) signed by builder and veteran if there is a veteran under contract

- plot plan** including location of well/septic systems if applicable

- all **exterior building elevations** (front, rear, sides)

- foundation or basement plan**

- plan of all floors**

- wall section**

- certification** signed and dated by a technically qualified and properly identified individual (such as builder, architect, engineer, etc.) which states: "I certify that the construction exhibits for (identify property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping." VA will accept HUD form 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification.

The following items are required on the NOV on **all** proposed construction cases:

- Item #2 - Wood Destroying Insect Information

- Item #16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority – for example, if the lender just closed another case on the same block or the subject is a new home in an older, established neighborhood)

- Item #17 - Proposed Construction

- Item #18 - Construction Inspections

- Item #19 - Construction Warranty (One year Builder Warranty)

Any **missing construction exhibits** should be required in Item 20.

The **following items should not be required**:

- Item #1 (Energy Conservation Improvements)

Item #12 (“Not Inspected Acknowledgment)

Many proposed homes are in **PUDs**. If the subject is in a PUD, Item #3 should be marked on the NOV.

The **number of VA inspections needed** depends on whether or not the local building authority issues a certificate of occupancy and what type of warranty will be provided to the veteran.

-If the property is located in an area where the local building authority **issues a certificate of occupancy**, only a final VA compliance inspection is required. A copy of the certificate of occupancy or equivalent document must be obtained.

-If the property is **not** in a county where there are local building inspections, the SAR must require either:

3 VA Compliance Inspections

OR

Final VA Compliance Inspection & 10 year warranty

Remember, the builder’s 1 year warranty **(Item #19) is required in all proposed cases.**

NOTE: Item #14 (Energy Efficient Construction) and **Item 15** (Lead/Water Distribution System) are **no longer needed** on NOVs for **proposed** construction since the plan certification statement that the builder has placed on the plans covers these items.

After reviewing the appraisal, the SAR may find that other conditions such as Item #5 (Water/Sewage System Acceptability) and Item #8 (Flood Insurance) apply. This section is simply a guide to help with issuing NOVs on proposed construction.

ISSUING NOTICES OF VALUE ON MANUFACTURED HOMES

In Florida, Alabama and Mississippi, **processing of manufactured home appraisals has been streamlined** since there is a Manufactured Home Commission which regulates the installation of manufactured homes in these states.

Existing (over 1 year old) manufactured home:

The following items are always required on the NOV:

- Item 1, Energy Conservation Improvements
- Item 2, Wood Destroying Insect Information

If the appraiser did not find a **state-licensed installer's decal** on the unit, the following requirement should be included in Item #20 Other Conditions/Requirements: **"Provide evidence from a licensed installer that the manufactured home is installed in accordance with current state requirements or retrofitted as closely as possible"**.

New construction manufactured home:

Before issuing the NOV, the SAR must make sure the **builder who constructed the foundation has a valid VA builder identification number**. Builder ID numbers may be found online in TAS (The Appraisal System). The builder must also be a state-licensed installer.

The following items are always required on the NOV:

- Item 2, Wood Destroying Insect Information
- Item 12a - "Not Inspected" Acknowledgment
- Item 14 - Energy Efficient Construction
- Item 15 - Lead/Water Distribution System
- Item 16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority – for example, if the lender just closed another case on the same block or the subject is in an older, established neighborhood)
- Item 19 – One-Year Construction Warranty
- Item 20 -Other Conditions/Requirements: VA Form 26-8599, Manufactured Home Warranty and state-licensed installer's decal if the appraiser did not find it on the unit.

Proposed construction manufactured home:

Before issuing the NOV, the SAR must make sure the **builder who is constructing the foundation has a valid VA builder identification**

number. Builder ID numbers may be found online in TAS (The Appraisal System). The builder must also be a state-licensed installer.

The following **construction exhibits** are needed. **If any of these items are missing, the SAR must condition the NOV (Item #20) for them:**

Description of Materials (VA Form 26-1852) for the foundation

Plot Plan

Foundation Plan (showing piers/anchorage details)

Floor Plan*

Exterior Elevations*

Details of mating line piers if property is a double-wide

Appropriate **construction exhibits for any on-site improvements**
(for example, garage, deck, porches, patios)

certification signed and dated by a technically qualified and properly identified individual (such as builder, architect, engineer, etc.) which states: "I certify that the construction exhibits for (identify property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping." VA will accept HUD form 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification.

*Floor plan and elevations may be from manufacturer's advertising or technical installation manual.

The following items are always required on the NOV:

Item 2 - Wood Destroying Insect Information

Item 16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority – for example, if the lender just closed another case on the same block or the subject is in an older, established neighborhood)

Item 17 – Proposed Construction

Item 18 – Construction Inspections (only a VA final inspection is needed if the local building department issues a certificate of occupancy)

Item 19 – One-Year Construction Warranty

Item 20 -Other Conditions/Requirements: VA Form 26-8599, Manufactured Home Warranty and list any missing construction exhibits.

The VA compliance inspector will verify that the **state-licensed installer's decal has been affixed to the home** at the final inspection.

The following information is reprinted from Chapter 13 of the VA Lender’s Handbook.

*Chapter 13- Value Notices
26-7, Revised*

*VA Pamphlet
Change 3*

13.06 Notice of Value Conditions and Requirements

Introduction Every notice of value (NOV) issued in conjunction with an appraisal review must include a list of any conditions and requirements that must be satisfied for the property to be eligible for VA loan guaranty.

Reference: See Section 13.05.

Table of NOV Conditions & Requirements

The Table of NOV Conditions and Requirements below

- lists each condition and requirement shown on the standard LAPP NOV in the same order as shown on that NOV,
- explains when each item is applicable,
- explains what action is required to satisfy the condition or requirement, and
- references any additional information about the item in this handbook.

Reference: See Chapter 13, Exhibit 1, LAPP Lender’s Notice of Value.

NOV Item	Instructions for Preparing the NOV
Energy Conservation Improvements	<p>Check this item for every property appraised as “existing construction.” This action allows lenders to increase the loan amount for buyers to make energy efficiency improvements to the property.</p> <p><i>Note:</i> “Proposed” or “under construction” and “new construction” cases are not eligible for VA’s Energy Efficient Mortgage program. For more on Energy efficient improvements, see Item 1 on the NOV or Section 7.03.</p>

Continued on next page

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Wood Destroying Insect Information	<p>Check the appropriate items if the property is located in an area where the probability of termite infestation is "very heavy" or "moderate to heavy" according to the Termite Infestation Probability Map published in The <i>Council of American Building Officials (CABO) One and Two Family Dwelling Code</i>.</p> <p><i>Note:</i> If there is a question about the location of an infestation probability boundary line in relation to the subject property, contact the VA office of jurisdiction to determine if this requirement is applicable.</p> <p>Additional Requirements</p> <ul style="list-style-type: none"> • In cases processed as "New Construction," the builder can meet the requirements for either "existing construction" or "proposed or under construction." • The pest control operator must meet all requirements of the State in which the property is located. • In States which require the use of a State inspection form in all transactions, the State form is acceptable for VA loan guaranty purposes. • Inspection reports are valid for VA purposes for 90 days from the date of inspection. <p>References: See Section 12.06.</p>
Lien Supported Assessment	<p>Check the appropriate items and provide the required information, if applicable. Generally, this involves only units in a planned unit development or condominium.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 3</i> on the NOV • Chapter 16, Section B.

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Condominium Requirements	<p>Check the appropriate items if the property is located in a condominium.</p> <p>Important: The project must be acceptable to VA, and all project approval-related requirements satisfied, for the property to be eligible for VA loan guaranty.</p> <p>Reference: See Chapter 16, Section A.</p>
Water/Sewer System Acceptability	<p>Check the appropriate items for a property served by an individual</p> <ul style="list-style-type: none"> • water supply, such as a well, or • septic system in all cases appraised as “proposed or under” construction, and in “new” and “existing” construction cases in which there is an indication of a problem or the property is in an area known to have soil percolation problems. <p>A spring or cistern water supply or pit privy may be acceptable in areas where they meet the standards of the locality and are properly constructed. Lenders should contact the VA office of jurisdiction regarding such cases.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 5</i> on the NOV • Section 10.10 (“Required Exhibits”) • Section 12.08. • Section 14.02 (“Third Inspection”).
Connection to Public Water/Sewer	<p>Check the appropriate items if the property is served by an individual well or septic system and there is an indication that public water or sewer is available.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 6</i> on the NOV • Section 12.08.
Private Road/Common Use Driveway	<p>Check this item if access to the property is by a private road or common-use driveway.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 7</i> on the NOV • Section 12.05.

continued on next page
 13-14

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Flood Insurance	<p>Check this item if the dwelling is located in a Special Flood Hazard Area (SFHA). It is the lender's responsibility to assure that flood insurance is obtained and maintained on properties located in SFHAs, whether or not the appraiser correctly identifies the property as being in an SFHA.</p> <p>Exceptions:</p> <ul style="list-style-type: none"> • The property is not eligible as the security for a VA home, if the property is located in an SFHA and flood insurance is not available because the community is not participating in the National Flood Insurance Program (NFIP) • The lender can appeal to the Federal Insurance Administration (FIA), if there is an indication that a property is incorrectly included in a SFHA. <p>• Note: Based on FIA's administrative review of the scientific or technical data submitted by the lender, FIA may issue a Letter of Map Amendment (LOMA) to amend the current FEMA map and establish that the property is not located in a SFHA.</p> <p>References:</p> <ul style="list-style-type: none"> • Item 8 on the NOV • Section 9.10 • Section 10.06 • Chapter 11, Figure 1.
Airport Acknowledgement	<p>Check this item if the property is located in an airport noise zone or safety-related zone acceptable to VA.</p> <p>Reference:</p> <ul style="list-style-type: none"> • Item 9 on the NOV • Section 10.06 • Chapter 11, Figure 1.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Repairs	<p>Check the appropriate items and list the repairs recommended by the appraiser which are necessary to make the property meet VA Minimum Property Requirements (MPRs).</p> <p>Lead-Paint Conditions Since properties built prior to 1978 may contain lead-based paint, the correction of any defective paint condition on such properties must be made according to the requirements in Section 12.03 and inspected only by VA fee personnel or VA staff.</p> <p>Notes:</p> <ul style="list-style-type: none"> • A notice of value should not be issued for a property in a badly deteriorated condition unless there is a reasonable likelihood that it can be repaired to meet VA MPRs prior to loan closing. • A certification regarding the condition or adequacy of the roof, electrical/plumbing/heating systems, etc., should not be required unless there is an indication of a problem. • Lenders and fee appraisers should use their own letterhead when certifying that required repairs have been satisfactorily completed. Generally, fee inspectors will not inspect repairs to existing properties, unless the loan involves alterations or improvements for which construction exhibits are required. <p>Lender and purchaser disagreements with fee appraiser repair recommendations will be resolved by either:</p> <ul style="list-style-type: none"> • SAR contact with the fee appraiser (if the repair recommendations do not appear necessary per Section 11.09, for the property to meet MPRs). SAR must then provide in writing any changes made by the appraiser, or • VA contact with SAR or fee appraiser (if initial lender/appraiser contact does not resolve the issue), or • SAR and purchaser request VA to waive the repair item(s) in question, if necessary and appropriate per Section 12.01 under “Exemptions”.

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Repairs, continued	<p>Reference:</p> <ul style="list-style-type: none">• Item 10 on the NOV• Section 10.01• Section 10.05• Section 10.06• Section 11.04• Section 11.09• Chapter 12.
Local Housing/ Planning Authority Code Requirements	<p>Check this item if the property is existing construction which is located in an area where specific local housing/planning authority code requirements are enforced in conjunction with the sale of homes</p> <p>Reference:</p> <ul style="list-style-type: none">• Item 11 on the NOV• Section 10.07• Figure 1 in Chapter 11

Continued on next page

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
<p>“Not Inspected” Acknowledgement</p>	<p>Check the appropriate items if the property was appraised as “new construction”.</p> <p><i>Note:</i> <i>Item 12a</i> on the NOV applies if the property is to be covered by a one-year builder’s warranty per Section 10.08. <i>Item 12b</i> on the NOV applies if the property is to be covered by a 10-year insured protection plan per Section 10.09.</p> <p>Reference:</p> <ul style="list-style-type: none"> • Item 12 on the NOV • Section 10.05 • Section 10.08 • Chapter 10, Figure 1.
<p>10-Year Insured Protection Plan</p>	<p>Check this item if the property was appraised as either “proposed or under construction” or “new construction” and is to be covered by a 10-year insured protection plan.</p> <p><i>Note:</i> A copy of the builder’s application to enroll the subject property in an acceptable 10-year plan is adequate “evidence of enrollment.” It is the builder’s responsibility to ensure that all enrollment fees are paid and the enrollment process is otherwise completed.</p> <p>Reference:</p> <ul style="list-style-type: none"> • Item 13 on the NOV • Section 10.05 • Section 10.09 • Chapter 14, Overview.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Energy Efficient Construction	<p>Check this item if the property was appraised as “new construction.”</p> <p>The certification is required even when State or local energy-related requirements exceed the 1992 Council of American Building Officials (CABO) Model Energy Code (MEC) standard.</p> <p>The certification is not required if the dwelling is either</p> <ul style="list-style-type: none"> • manufactured home built to HUD code and inspected by HUD in the factory, or • individual unit in a condominium over two stories high. <p>References:</p> <ul style="list-style-type: none"> • <i>Item 14</i> of the NOV • Section 12.02.
Lead/Water Distribution System	<p>Check this item if the property was appraised as “new construction.”</p> <p>This requirement also applies to cases involving alterations, improvements or repairs to the potable water distribution system.</p> <p>Reference: See <i>Item 15</i> on the NOV.</p>

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Offsite Improvements	<p>Check this item if the property was appraised as either “proposed or under construction” or “new construction” and off-site improvements have not been completed and accepted for maintenance by the local authority at that time, such as</p> <ul style="list-style-type: none"> • streets • sidewalks • drains, and/or • sewers. <p>References:</p> <ul style="list-style-type: none"> • <i>Item 16</i> on the NOV • Section 9.09 • Figure 1 in Chapter 10.
Proposed Construction	<p>If the property was appraised as “proposed or under construction,” check this item and provide the information required to identify the construction exhibits used.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 17</i> on the NOV • Section 10.10.
Construction Inspections	<p>Check this item and identify the VA-assigned fee inspector if the property was appraised as “proposed or under construction.”</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 18</i> on the NOV • Section 10.04 • Chapter 14.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV						
Construction Warranty	<p>Check this item if the property was appraised as either</p> <ul style="list-style-type: none"> • “proposed or under construction,” or • “new construction” and the builder will provide a one-year VA builder’s warranty (instead of a ten-year insured protection plan). <p>In both of the above situations, the veteran purchaser must be provided with a one-year builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction, signed by an authorized official.</p> <p>See “NOV Item – Ten Year Insured Protection Plan” in this Section if the property will be covered by a ten-year protection plan.</p> <p>Use the following to determine how to handle cases involving manufactured homes classified as real estate.</p> <table border="1" data-bbox="578 1234 1516 1692"> <thead> <tr> <th data-bbox="578 1234 979 1272">When cases ...</th> <th data-bbox="979 1234 1516 1272">Then ...</th> </tr> </thead> <tbody> <tr> <td data-bbox="578 1272 979 1425">processed as “proposed or under construction” (See the definition in Section 10.10)</td> <td data-bbox="979 1272 1516 1425">the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.</td> </tr> <tr> <td data-bbox="578 1425 979 1692">involve a new manufactured home unit</td> <td data-bbox="979 1425 1516 1692">the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty. <i>Note:</i> This warranty will cover the manufactured home unit only.</td> </tr> </tbody> </table>	When cases ...	Then ...	processed as “proposed or under construction” (See the definition in Section 10.10)	the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.	involve a new manufactured home unit	the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty. <i>Note:</i> This warranty will cover the manufactured home unit only.
When cases ...	Then ...						
processed as “proposed or under construction” (See the definition in Section 10.10)	the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.						
involve a new manufactured home unit	the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty. <i>Note:</i> This warranty will cover the manufactured home unit only.						

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV	
Construction Warranty, continued	When cases ...	Then ...
	involve a used manufactured home sold by a dealer	<p>the dealer must provide the purchaser with a six-month warranty on VA Form 26-8730, Used Manufactured Home Limited Warranty.</p> <p>This warranty that the mechanical equipment, electrical, gas and heating systems, and water and plumbing systems are in operating condition and the roof is weathertight. This warranty is not required in connection with the sale of a used manufactured home not involving a dealer.</p>
<p>References:</p> <ul style="list-style-type: none"> • <i>Item 19</i> on the NOV • Section 10.05 • Section 10.08 • Section 10.09 • Section 10.10. 		

Continued on next page

mortgage may be increased by up to \$3,000 based solely on documented costs; or up to \$6,000 provided the increase in monthly mortgage payment does not exceed the likely reduction in monthly utility costs; or more than \$6,000 subject to a value determination by VA.

____ 2. **WOOD-DESTROYING INSECT INFORMATION**

____ a. **Inspection Report (Existing Construction).** The property must be inspected at no cost to you by a qualified pest control operator using Form NPCA-1, or other form acceptable to VA. Any reported infestation or structural damage affecting the value of the property must be corrected to VA's satisfaction prior to loan settlement. You must acknowledge receipt of a copy of the inspection report in the space provided on the form.

____ b. **Soil Treatment Guarantee (Proposed or Under Construction).** A properly completed Form NPCA-99a is required. If the soil is treated with a termiticide, a properly completed Form NPCA-99b is also required. The lender will provide you with a copy.

____ 3. **LIEN-SUPPORTED ASSESSMENT.** This property is located in a development with mandatory membership in a homeowners' association. The lender is responsible for ensuring that title meets VA requirements for such property and that homeowner association assessments are subordinate to the VA-guaranteed mortgage.

____ a. **Homeowner Association Fee.** Estimated fee of \$[amount] per [period of time].

____ b. **Other.** _____

____ 4. **CONDOMINIUM REQUIREMENTS.** The lender is responsible for ensuring that this condominium is acceptable to VA and that any condominium-related special conditions or requirements have been met. There may be additional information in "Other Conditions/Requirements" below.

____ 5. **WATER/SEWAGE SYSTEM ACCEPTABILITY.** Evidence from the local health authority or other source authorized by VA that the individual ____ **water supply**, ____ **sewage disposal** system(s) is/are acceptable.

____ 6. **CONNECTION TO PUBLIC WATER/SEWER.** Evidence of connection to ____ **public water**, ____ **public sewer**, if available, and that all related costs have been paid in full.

____ 7. **PRIVATE ROAD/COMMON-USE DRIVEWAY.** Evidence that use of the private road or common-use driveway is protected by a recorded permanent easement or recorded right-of-way from the property to a public road, and that a provision exists for its continued maintenance.

- _____8. **FLOOD INSURANCE.** Since improvements on this property are located in a FEMA Special Flood Hazard Area, flood insurance is required.
- _____9. **“AIRPORT” ACKNOWLEDGEMENT.** Your written acknowledgement that you are aware that this property is located near an airport and that aircraft noise may affect the livability, value and marketability of the property.
- _____10.**REPAIRS.** The _____ lender _____ fee appraiser (_____ [name] _____) _____ fee compliance inspector (_____ [name] _____) is to certify that the following repairs have been satisfactorily completed. See the above second paragraph about your responsibility concerning the condition of the property.
[List repairs recommended by fee appraiser which are necessary to make the
property meet VA minimum property requirements for existing
construction.
Inspections/certifications should not be required unless there is an
indication
of a potential problem.]
- _____11. **LOCAL HOUSING/PLANNING AUTHORITY CODE REQUIREMENTS.** Evidence that local housing or planning authority code requirements, if any, have been met.
- _____12. **“NOT INSPECTED” ACKNOWLEDGEMENT.** Your written Acknowledgement that, you are aware that since this new property was not inspected during construction by VA,
 _____a. VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported during the one-year builder’s warranty period.
 _____b. VA will not intercede on your behalf in the processing of any construction complaints.
- _____13. **TEN-YEAR INSURED PROTECTION PLAN.** Evidence of enrollment of this new property in a 10-year insured protection plan acceptable to the Department of Housing and Urban Development (HUD).
- _____14. **ENERGY EFFICIENT CONSTRUCTION.** Builder's certification which identifies this new dwelling and states that it was constructed to meet the energy conservation standards of the Council of American Building Officials (CABO) 1992 Model Energy Code (MEC).
- _____15. **LEAD/WATER DISTRIBUTION SYSTEM.** Builder's certification which identifies this new dwelling and states that the solders and flux used in construction did not contain more than 0.2 percent lead and that the pipes and pipe fittings used did not contain more than 8.0 percent lead.

_____ 16. **OFFSITE IMPROVEMENTS.** Evidence that the streets, sidewalks, drains, water, sewer, etc. have been completed and accepted for maintenance by the local authority.

_____ 17 **PROPOSED CONSTRUCTION.** To be completed based on construction exhibits identified as _____ [model name; or type of construction, square footage, # rooms, # bedrooms and # bathrooms] _____

_____ 18. **CONSTRUCTION INSPECTIONS.** By VA fee compliance inspector (_____ [name] _____) or HUD fee inspector (with prior VA approval). _____ Only a final inspection is required if local building authority inspections are acceptable to VA, or if builder to provide you with a ten-year insured protection plan acceptable to HUD.

_____ 19. **CONSTRUCTION WARRANTY.** One-year VA builder's warranty on a fully completed VA Form 26-1859, Warranty of Completion of Construction.

_____ 20. **OTHER CONDITIONS/REQUIREMENTS:**

Sincerely,

[signature, name and title of person authorized to sign notice]

COMPLIANCE INSPECTOR GENERAL TOPICS

The **VA Lender's Handbook** is available online at www.homeloans.va.gov/handbook.htm
Compliance Inspectors should be familiar with **Chapter 14** of this handbook.

All compliance inspections will be reported on **VA Form 26-1839, Compliance Inspection Report**.

The builder contacts the compliance inspector directly to schedule all inspections.

Compliance Inspections should be completed within **48 hours**.

The **Specially Adapted Housing (SAH) program** is a high priority program. Compliance inspections on SAH cases should be expedited whenever possible. Special emphasis should be given to the adaptive features.

All compliance inspection reports on SAH cases should be **faxed** to our SAH Agents at (727) 319-7762.

Any **questions on SAH cases** should be referred to the SAH Agents at our office. Contact information is on page 1 of this training guide.

When inspecting **manufactured homes**, the compliance inspector should verify that the state-licensed installer's decal has been affixed to the home.

Due to the low volume of compliance inspections, our office has one compliance inspector in some areas. Compliance inspectors who will not be available for assignments are expected to arrange **coverage** with a nearby inspector. Please call our office for contact information for other inspectors.

Compliance inspectors may be called on occasionally to make inspections **outside their assigned area** when another compliance inspector is not available or when there is a conflict of interest. In this situation, compliance inspectors may charge mileage from the boundary of their assigned area to the property and back. Compliance inspectors should not charge mileage for properties in their assigned area unless specifically authorized by this office.

The current mileage rate is \$.375 per mile.

Distribution of Compliance Inspection reports:

If the lender is known: Provide the lender with a copy
Provide the builder with a copy
Maintain one copy in the inspector's file

If the lender is not known: Provide the builder with two copies
Maintain one copy in the inspector's file

The following information on inspection stages is reprinted from Chapter 14 of the VA Lender's Handbook.

14.02 Inspection Stages

Introduction This topic contains information about

- displaying legal notices
 - the stages of inspection
 - what inspectors look for during the inspection
 - re-inspections
 - special inspections, and
 - missed inspections.
-

**Equal
Employment
Opportunity
Poster
Requirement**

At the initial inspection, inspectors will note any failure of the builder to prominently display VA Poster 26-83-1, Equal Employment Opportunity is the Law, as a noncompliance item on the inspection report. Each contractor and subcontractor must display the poster in conspicuous places at job sites covered by VA value notices for proposed construction.

In all areas with significant concentrations of Spanish-speaking people, VA Poster 26-83-1(S) printed in Spanish, must be displayed next to the poster in English.

When noncompliance with the poster requirement is found, the VA office of jurisdiction will immediately inform the builder that no further inspections will be made until the poster is displayed.

**Obtaining
Equal
Employment
Opportunity
Posters**

VA supplies the poster to the builder with the VA value notice, if issued by the VA. Although one poster may be used to cover a group of properties being constructed simultaneously by a builder, VA will furnish additional posters needed for adequate coverage.

Posters are available from the VA Forms and Publications Depot.

Continued on next page

14.02 Inspection Stages, Continued

First Inspection Stage Alternatives

VA will notify builders, lenders, and inspectors which of the following first stage inspection alternatives are to be used in specific areas:

- *Excavation complete and ready for footings and foundations* usually applies in localities where it is advisable to have the bearing soil examined before construction proceeds, or
 - *Foundation walls complete and ready for backfill* usually applies where soil conditions are generally uniform and free of faults likely to cause foundation problems.
-

Completion of Excavation Alternative

For the *completion of excavation* alternative, VA inspects

- display of VA Poster 26-83-1, Equal Employment Opportunity is the Law
 - the nature of the bearing soil
 - form work for footings or the condition and quality of the footing trench if forms are not required, and
 - compliance with construction exhibits and VA Minimum Property Requirements regarding
 - the location of the structures on the plot, and
 - depth of excavation and its relation to street and proposed finish grades and to grades of adjoining improved properties.
-

Completion of Foundation Alternative

For the *completion of foundation* alternative, *all* of the above items will be observed and reported. In addition, VA will inspect

- the size, location, and condition of all footings, foundation walls, piers, and other supporting members, and
 - the quality of materials and workmanship of masonry, damp proofing, and foundation drainage.
-

Continued on next page

14.02 Inspection Stages, Continued

Second Inspection Stage

During the second inspection stage VA inspects

- all construction below the superstructure not installed or which was installed but not inspected or reported upon at the first inspection stage, including footings, foundations, piers, columns, waterproofing and drainage provisions
- construction of the superstructure, including quality of materials and workmanship, details of construction, and the suitability of arrangement of all items for subsequent installation of equipment and of interior and exterior finishing materials
- plan of the dwelling, including the arrangement of partitions and the sizes and placement of all openings
- roughing-in of mechanical work, including plumbing, heating, and electric installations with respect to
 - providing for the correct installation of fixtures, equipment, and accessories
 - avoiding impairment of the strength of structural members, and
 - proper operation of the completed systems.

Note: No second stage inspection of the dwelling is required for modular construction since the unit is fabricated in a factory and must be inspected to state standards.

Continued on next page

14.02 Inspection Stages, Continued

Third Inspection Stage

During the third inspection stage VA inspects for acceptable completion of *all* specified onsite and offsite improvements.

The table below lists the exterior and interior items to be inspected and reported upon during the third inspection stage.

Exterior Inspection:

- compaction of fill material
- finish grading
- drainage
- utility connections
- walks
- drives
- accessory buildings
- retaining walls
- planting
- safety provisions at
 - terraces
 - porches
 - areaways
- protection against the elements and penetration of moisture
- masonry pointing
- caulking at openings
- paint coverage
- flashing
- design of dwelling structure
- materials and details of their installation and finish
- offsite improvements including
 - utilities
 - storm sewer system
 - drainage channels
 - grading
 - curbs
 - gutters
 - paving
 - pavement edging
 - subgrade, and
 - base and wearing surface and erosion control

Interior Inspection:

- design
- materials, equipment, and details of their installation
- interior surfaces and their finish treatment
- cabinets and millwork
- details and operation of systems, equipment, and fixtures related to
 - plumbing
 - heating
 - ventilating
 - electric
- quality and operation of hardware
- quality of
 - tilework
 - glass
 - linoleum
 - venting of attics and underfloor spaces

Continued on next page

14.02 Inspection Stages, Continued

**Individual
Water Supply
and Sewage
Disposal
System****Individual Water Supply and Sewage Disposal System**

The inspector will include with the inspection report evidence obtained from the builder that installation is satisfactory to the health authority having jurisdiction.

**Final
Inspection**

Generally, this coincides with the third inspection stage and requires the Compliance Inspection Report, [VA Form 26-1839](#) to

- include two photographs (preferably taken from the diagonally opposite front and rear corners) to record the appearance of the dwelling and indicate the grading and drainage of the site
 - describe the condition, suitability, and readiness for use of all equipment, fixtures and observable construction of the property
 - report shortcomings such as scratches in painted surfaces, poorly fitted doors, stuck windows, cracks in walls, irrespective of any arrangements made on the site for corrections, and
 - confirm that any instance of inferior workmanship, defective materials or equipment, or faulty installation or application of materials or equipment and/or deviation from approved plans and specifications is reported on [VA Form 26-1839](#), and
 - if the property is a unit on a *master* appraisal either
 - clearly identify any optional variation or item of equipment included in the construction, or
 - state that none is included.
-

Continued on next page

14.02 Inspection Stages, Continued

Special Inspections

VA may also require special inspections by the VA-assigned fee inspector at any stage of construction to help monitor cases involving

- unusual site features
- construction methods, or
- builders with frequent construction complaints.

For cases involving major alteration or repair work, the stages at which special inspections are to be made will be determined according to the nature of the proposed work.

Re-inspection

A re-inspection is required

- whenever a first- or second-stage, or special inspection shows noncompliance and the work involved will be concealed before the next regular inspection, or
 - as a result of noncompliance or incomplete work reported at the third-stage inspection, unless the VA field station waives the re-inspection because
 - the incomplete work is of a minor nature, and
 - the lender is willing to certify that it has been satisfactorily completed.
-

Missed Inspections

Occasionally a required inspection may be missed through oversight by the builder or other party responsible for requesting them. To waive a missed inspection, the VA field office must be provided with

- a written request signed by the lender and the veteran
 - evidence that the local building authority inspected the construction at the stage(s) not inspected by VA, and
 -
 - **Note:** In areas without local inspections at prescribed construction stages, the VA inspector must provide a statement regarding his/her experience with the quality of the builder's workmanship and the builder's conformity with both constructions exhibits submitted to VA and VA minimum property requirements.
 - evidence of HUD's consent to the waiver, if the case is HUD related.
-

14.03 VA Reliance on Local Building Inspections for First and Second Stages

Waiving First and Second Stage Inspections

The requirement for a first and second stage VA inspection is waived in all proposed or under construction cases in which both of the following requirements are met:

- The property is located in an area where the inspection procedures of the local building authority are acceptable to the Department of Housing and Urban Development (HUD) for loan insurance purposes, and
 - a third stage (final) VA compliance inspection is performed by a VA fee inspector assigned by the VA office of jurisdiction.
-

Exception

This provision has no affect on other proposed or under construction-related VA requirements and does not apply to cases involving a VA Specially Adapted Housing grant.

Lender's File Documentation

For each loan processed under this provision, the lender's loan origination file must include *both*

- a properly executed *clear* third stage (final) compliance inspection report on [VA Form 26-1839](#), and
 - an occupancy permit or other appropriate documentation issued by the locality to verify that all construction has been acceptably completed.
-

Discontinuing VA Reliance on Local Inspections

VA may discontinue relying on the inspections of a particular building authority if VA staff detects

- excessive construction deficiencies, or
 - construction complaint activity in that building authority's jurisdiction.
-

INDEX

100 year flood level, 10
Abandoned fuel storage tank, 17
Above-ground pools, 37
Access to property, 25
Accommodate sales price, 4, 35
Acrobat Reader, 8
Additions to comparables after sale, 37
Adjustments to comparables, 37
Advance payment, 5-6
Airport Noise Zones, 10, 31-32
Alterations over \$3500, 38
Appraisal fee schedule, 49
Appraisal report contents, 11
Appraisal report forms, 11
Appraiser expectations, 3-4, 16
Appraiser license, 3
Appraisers Certification Form, 11
Appraisers exempt from e-commerce, 8
Asbestos, 19
Assignments stopped, 3
Badly deteriorated properties, 10
Barns, 36
Blank NOV form, 71
Builder Identification Numbers, 46
Building code enforcement, 18
Burglar bars, 18
Carpet, 18
Chipped fixtures, 18
Clear Zone, 10, 31-32
Coastal Barrier Resources System, 10
Code enforcement area, 18
Communication, 12
Communication towers, 19
Comparable sales, 37
Compliance inspection fees, 49
Compliance inspection reports, 76
Compliance inspection stages, 77-83
Compliance inspector information, 75-76
Condominium appraisal, 43
Condominium approval by VA, 53
Condominium NOV, 53
Connection to public water/sewer, 17, 29
Construction exhibits, 44
Construction exhibits, manufactured home, 34
Contact information, 1
Contaminated groundwater, 19, 51
Contents of appraisal, 11
Cooperative, 10
Cost approach, 37
Crawl space, 23
Customer preference items, 45
Defective conditions, 26
Defective paint, 17
Drainage, 26

E-commerce, 8
E-mail address, fee appraiser 3
E-mail addresses for VA, 9
Earthquakes, 19
Eastern Meadows, 19, 51
EEO Posters, 77
Environment problem, 17
Equal Employment Opportunity Posters, 77
Existing property, NOV, 52
Fee collection, 5-6
Fee schedule, 49
FHA Roster of Appraisers, 4
File sizes, 8
Final inspection, 81
Financing concessions, 36
Fireplace, unvented, 17
First inspection stage, 78
Fixtures, 18
Flood insurance not available, 10
Flood zone, 36
Floor plan certification, proposed construction, 44
Floor plan sketch, 11
Fogged windows, 18
Fuel storage tank, 17
Gated community, liquidation appraisals, 39
Geological instability, 10
Grandfathered units, 42
Ground rental agreement, 10
Groundwater, contaminated, 19, 51
Guest house, 42
Hazardous conditions, 19, 26
Heat, 17, 22
High-pressure gas line easement, 10, 28
High-voltage electricity easement, 10, 28
Income property, 42
Inspection stages, 77-83
Laundry tub, 18
Lead-Based Paint, 27
Leasehold, 10
Leaseholds, approved, 51
Legal description, 35
Lender cooperation, 50
Less than fee simple ownership, 10
Limiting conditions, 11
Liquid petroleum line easement, 10, 28
Liquidation appraisal addendum, 41
Liquidation appraisals, 39-41
Local issues, 51
Location map, 11
Manufactured Home, 33-34
Manufactured Home, construction exhibits, 34
Manufactured Home, NOV, 57-58
Manufactured Home, without land, 34
Market value, 35
Marketing time, 36
Master Certificate of Reasonable Value, 47-48

MCRV, 47-48
Mechanical systems, 16, 21
Mercury, paint, 19
Methane gas, 19
Mild climate, heat, 17
Mildew, 18
Minimum Property Requirements, 16-30
Missed inspection, 82
Mold, 19
NADA Book, 34
New construction, NOV, 54
Nonresidential use, 10, 21
Notice of Value (NOV) form, 71
Paint, 17
Paint containing mercury, 19
Party Wall, 27
Payment Policy, 5-6
Perimeter wall, manufactured home, 33
Photo ID card, appraiser, 4
Photograph requirements, 11
Planned unit development appraisal, 43
Planned unit development NOV, 53
Plans/specifications, 44
Point of Contact, 12
Pool, 18
Potential environment problem, 17
Pressure-treated wood, 18
Professional assistance, 4
Properties near airports, 31-32
Properties not eligible for appraisal, 10
Proposed construction, appraisal, 44-45
Proposed construction, NOV, 55-56
Public water/sewer, 17
Radio towers, 19
Radon, 19
Reasonable value, 35
Reconsideration of Value, 14
Re-inspection, 82
Remaining economic life, 37
Repair certifications, 20
Repair waivers, 20
Roof, 16-17, 23
Rotted wood, 18
SAH compliance inspections, 75
Sales and financing concessions, 36
Sales to listing price ratio, 36
SAR signature on NOV, 70
SARs, 50
Satellite dishes, 37
Screens, 18
Second inspection stage, 79
Sewer, 17
Shared utilities, 24
Shared wells, 30
Signature on NOV, 70
Sinkholes, 19

Small Residential Income Property, 42
Soil instability, 10
Solar systems, 22
Space heater, unvented, 17
Space requirements, 21
Special inspection, 82
Specially Adapted Housing, compliance inspections, 75
Staff Appraisal Reviewer information, 50
TAS, 5
Telephone numbers, 1
Test Program, market data, 12
The Appraisal System, 5
Third inspection stage, 80
Timeliness, 7
Toxic waste sites, 19
Transmission line easement, 10, 28
Underground fuel storage tank, 17
Uniform Residential Appraisal Report, 35-38
Uniform Standards of Professional Appraisal Practice, 35
Unvented fireplace or space heater, 17
URAR, 35-38
UREA Formaldehyde, 19
USPAP, 35
VA Builder ID Numbers, 46
VA Case Number, 35
VA Lender's Handbook, 1, 3, 75
VA Staff, 1
Value changes by SAR, 14
Ventilation, 23
Verification of sales, 37
Veteran building home, 46
Vista View, 19, 51
Waivers, 20
Waiving 1st and 2nd compliance inspections, 56, 83
Washing machine, 18
Water, 17
Water heater, rented, 18
Wells, shared, 30
Windows, 18
Wood, 18
Wood burning stove, 22
Wood destroying insect information, 51