

Updates to the
2007 Construction & Valuation Training Guide

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**APPRAISAL OF PROPOSED OR UNDER CONSTRUCTION PROPERTIES
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“ANY QUALIFIED VETERAN” AS THE BORROWER ON VA APPRAISALS

1. **Purpose.** The purpose of this circular is to advise program participants of a new policy for VA appraisal reports.

2. **Background**

a. In the VA program, the appraisal report is used to document the appraiser’s value determination of real property for qualified veterans. VA has received feedback that lenders sometimes need to delay loan closing to await a name change on an appraisal report. To help eliminate such unnecessary delays at loan closings, appraisers should input “Any Qualified Veteran,” rather than the veteran’s name, in the borrower field of the appraisal report. This change will also help to limit the disclosure of veterans’ personal identifiable information.

b. Historically, lenders have indicated that having the correct borrower’s name on the appraisal report was necessary to sell the loan on the secondary market. VA has conferred with major purchasers of VA guaranteed loans on the secondary market. These major purchasers have reported that they are only concerned with the name on the guaranty and the mortgage note. VA also conferred with the Appraisal Foundation regarding Uniform Standards of Professional Appraisal Practice (USPAP) requirements. They concurred that VA would not violate USPAP by replacing the veteran’s name with “Any Qualified Veteran.”

3. **New Fee Appraiser Requirement.** Fee appraisers should insert “Any Qualified Veteran” in the borrower field on the appraisal report for all VA case assignments.

4. **Related Policy.** There is no change to the requestor procedures for ordering an appraisal report or case number.

5. **Details.** Field stations should reproduce this circular for immediate release to program participants in their jurisdiction. Copies of these releases need not be submitted to Central Office.

Circular 26-07-1

August 7, 2007

6. **RESCISSION**: This circular is rescinded July 1, 2009.

By Direction of the Under Secretary for Benefits

Judith A. Caden, Director
Loan Guaranty Service

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

VALUING PROPERTIES DURING PERIODS OF DECLINING MARKET

1. Purpose. The purpose of this circular is to reaffirm VA's requirement that the appraised value, for a property that will become the security for a VA guaranteed loan, must reflect the current fair market value. VA has historically required VA fee appraisers to provide a value estimate in accordance with VA's regulatory definition of reasonable value (38 CFR 36.4301), "that value 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 light of prevailing conditions." During periods of rapidly increasing or declining real estate values, it may become more difficult to establish an estimate of the current fair market value.

2. Market Trend Indicators and Analysis. Analysis of real estate market conditions, using market trend indicators, lends support to an appraiser's estimate of fair market value, particularly during periods of rapidly increasing or decreasing market values. Circular 26-93-25, dated October 22, 1993, required appraisers to specifically address certain market trend indicators in every appraisal report. VA later changed the market trend indicators from a "requirement" in each appraisal report to "factors to be considered."

a. Information on market trend indicators is now contained in chapter 11, section 8 of the Lender's Handbook. A summary of market trend indicators to consider when performing an appraisal is provided below.

(1) Determine whether sales or financing concessions are being offered in the subject property's market area. If so, determine the effect on the sales price of comparable properties.

(2) Consider the supply and demand for available housing in the subject market and compare the average listing price to the sales price ratio in the subject market area.

(3) Consider the marketing time trend (increasing or decreasing) in the subject marketing area.

(4) Analyze sales listings, contract offers, and unsettled sales to determine if market conditions changed between the date each comparable sold and the date of the subject property appraisal. Provide an addendum if a significant market transition is indicated due to changes in employment opportunity, housing supply/demand, average marketing time, seller concessions, etc. However, appraisers should certify in the appraisal report, "I have considered relevant competitive listings/contract offerings in performing this

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appraisal, and any trend indicated by that data is supported by the listings/offering information included in this report.”

b. VA appraisal reviewers should note that trend analyses performed by professional organizations or educational institutions, published in journals or newspapers, may be used to support an appraiser’s conclusions. If market trend indicators reveal the need to use either positive or negative time adjustments, VA accepts such adjustments as long as they are adequately supported.

3. General Guidance

a. Certain areas around the country are experiencing what is frequently referred to as a "declining market." We recognize that some lenders may object to receiving appraisal reports that contain comments or analyses of negative market conditions and, consequently, may request that such items be removed. VA expects appraisal reports to contain negative comments when they accurately reflect market conditions. Be assured that VA has no objection to guaranteeing a VA loan in a declining market area as long as the appraiser has properly documented the facts of the case. Furthermore, secondary market sources have indicated that they will purchase VA loans in declining markets as long as the appraisal analysis is proper and complete.

b. It has been reported that some lenders may also be reluctant to provide prompt payment to VA fee appraisers who submit reports containing discussion of declining market trends. VA reminds lenders that, when an appraisal is requested, the lender is certifying the approved fee being held for this purpose will be forwarded to the appraiser upon delivery of the appraisal. Furthermore, since 97 percent of appraisals are processed under the Lender Appraisal Processing Program (LAPP), lenders know when an appraisal is delivered and, consequently, should be able to process the appraisal fee promptly.

4. Station Releases. Stations will not be required to distribute copies of this circular, as it will be posted to the Loan Guaranty webpage under new circulars. Stations may post links to that page with appropriate notices on their websites.

5. Rescission: This circular is automatically rescinded January 1, 2009.

By Direction of the Under Secretary for Benefits

Judith Caden, Director
Loan Guaranty Service

Distribution: CO: RPC 2022
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APPRAISAL OF PROPOSED OR UNDER CONSTRUCTION PROPERTIES FROM MODEL HOMES

1. Purpose. To announce that appraisers are now authorized to use model homes, in lieu of construction exhibits (plans and specifications), to appraise “Proposed or Under Construction” properties, as defined in Chapter 10 of the VA Lender’s Handbook.

2. Requirements. Effective immediately, VA will allow “Proposed or Under Construction” properties to be appraised using an existing model home, in lieu of construction exhibits, if the model home is:

- Fully completed;
- The same plan type as the subject home;
- Located in the same market area; and
- Readily accessible to the assigned fee appraiser.

This policy is not applicable to ‘New Construction’ properties as defined in Chapter 10 of the VA Lender’s Handbook.

3. Procedures

a. Ordering the Appraisal. Lenders should order these appraisals through The Appraisal System (TAS) in the same manner as other appraisals. The only additional entries required include:

- **Item 3.** Legal Description: Enter the full legal description along with the following note:

“**APPRAISAL FROM MODEL HOME.**” This is designed to alert the fee appraiser that the assignment is to be performed in compliance with this Circular’s instructions.

- **Items 23 and 24.** Enter contact information needed for fee appraiser’s access to the model home (sales office location, hours of operation, phone number, etc.)
- **Item 36.** Proposed Sales Contract Attached? Select “No.” However, lenders must provide a complete copy of the Proposed Sales Contract to the appraiser.

b. Completing the Appraisal. The fee appraiser should perform the appraisal according to VA requirements for New Construction appraisals as presented in Chapter 11 of the VA Lender's Handbook, except for the following:

- In the "Comments" section at the bottom of page 1 of the Uniform Residential Appraisal Report (URAR), the fee appraiser must insert the following statement:

"Appraisal from Model Home. Value has been based on an inspection of a model home of the same plan type as the subject. Construction to be completed according to contract dated _____."

c. Issuing the Notice of Value. The Staff Appraiser Reviewer (SAR) should complete the Notice of Value (NOV) in the same manner as other NOVs. In these cases, the SAR should place the following verbiage in item 10 of the NOV:

"Appraisal from Model Home. Construction to be completed according to contract dated _____. Appraiser is to be contacted for Final Inspection and to provide a statement verifying satisfactory completion."

4. **Station Releases.** Stations should disseminate this information as widely as possible using their local websites. It is not necessary to prepare "hard copy" local releases, although, stations may do so at their discretion. Central Office will be placing this information on the Loan Guaranty website and there will also be a link from the portal.

5. **Rescission:** This circular is automatically rescinded on January 1, 2009.

By Direction of the Under Secretary for Benefits

Judith A. Caden
Director, Loan Guaranty Service

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Veterans Benefits Administration
Department of Veterans Affairs
Washington, DC 20420

Circular 26-07-3
Change 1
January 15, 2008

**APPRAISAL OF PROPOSED OR UNDER CONSTRUCTION PROPERTIES
FROM MODEL HOMES**

1. Purpose. The purpose of this change is to correct a chapter reference in paragraph 3 of the basic circular.

2. Therefore, Circular 26-07-3 is changed as follows:

Page 2, paragraph 3b, line 2: Delete “Chapter 11” and insert “Chapter 10”.

By Direction of the Under Secretary for Benefits

Judith A. Caden
Director, Loan Guaranty Service

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**EXTERIOR-ONLY INSPECTION RESIDENTIAL APPRAISAL REPORT FORM
USAGE**

When applicable, the Fee Appraiser must use either:

Exterior-Only Inspection Residential Appraisal Report
Freddie Mac Form 2055

or

Exterior-Only inspection Individual Condominium Unit Appraisal Report
Freddie Mac Form 466