

## VA New Construction

To be eligible for an appraisal as “new construction” the property must be fully completed or completed except for customer preference items (such as interior wall finishes, floor coverings, appliances, fixtures and equipment) and those improvements for which escrow withholds are permitted.

Construction exhibits and/or inspections during construction are not required for properties appraised as **new construction**. Properties appraised as **new construction** must be covered by either:

- A one-year VA builder’s warranty; or
- A ten-year insurance-backed protection plan

If the builder will provide a one-year VA builder’s warranty, then both of the following will be required:

- The Veteran purchaser’s written acknowledgment that, “I am aware that VA did not inspect this property during construction and that VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported in writing during the one-year VA builder’s warranty period.”
- A one-year VA builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction

If the builder will provide a ten-year insurance-backed protection plan, then both of the following will be required:

- The Veteran purchaser’s written acknowledgment that, “I am aware that VA did not inspect this property during construction and that it does not qualify for VA assistance with construction complaints”
- Evidence of enrollment of the property in a ten-year insured plan acceptable to HUD

Properties can be appraised prior to the start or completion of construction. Construction exhibits must be provided with the request to appraise properties as “proposed” or “under construction”. Properties appraised as “proposed” or “under construction” must be inspected by the local authority during construction. The purpose of the inspection(s) is to help ensure that the property:

- Is built according to the construction exhibits used in the appraisal; and
- Meets VA Minimum Property Requirements for proposed construction

In every case processed as “proposed” or “under construction” the builder must provide the Veteran home buyer with a one-year VA builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction.

VA will accept the construction inspections performed by the local authority which verify full compliance with local building codes in lieu of three VA compliance inspections.

If the local authority performs the required foundation, framing and final inspections and issues a Certificate of Occupancy or equivalent, VA will accept the certificate of occupancy as evidence of satisfactory completion of construction. VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported during the required one-year VA builder’s warranty period.

If the local authority performs the required three inspections but does not issue a Certificate of Occupancy or equivalent, VA will accept copies of the inspection reports which verify full compliance with local building codes, or a written statement from the local authority that states that the required three inspections were performed satisfactorily as evidence of satisfactory completion of construction. VA assistance with construction complaints will be limited to defects in equipment, material, and workmanship reported during the required one-year VA builder’s warranty period.

If the local authority does **not** perform the required inspections, the property **must** be covered by a ten-year insurance backed protection plan that is acceptable to the Department of Housing and Urban Development **and** a one-year VA builder’s warranty. In addition:

- The lender is to certify that the property is 100% complete (both on-site and off-site improvements) and that it meets VA's Minimum Property Requirements for existing construction
- VA assistance with construction complaints will be limited to defects in equipment, material, and workmanship reported during the one-year VA builder's warranty period

Use this table to determine the type of warranty required:

<b>When the property is appraised as</b>	<b>....then....</b>
<b>Existing Construction</b>	no warranty is required
<b>New Construction (existing less than one year old)</b>	Either: <ul style="list-style-type: none"> <li>• A One- year builder's warranty is required, <b>or</b></li> <li>• A 10 year insured protection plan is required.</li> </ul>
<b>Proposed or under Construction with a Full Complement of Local Authority Inspections</b>	Only a one-year builder's warranty is required.
<b>Proposed or Under Construction and Inspections are <u>not</u> Performed by the Local Authority</b>	<ul style="list-style-type: none"> <li>• both a 1 year builder's warranty, <b>and</b></li> <li>• a 10-year insured protection plan are required.</li> </ul>

Construction exhibits are required for properties appraised as "proposed" or "under construction". They are **not** required for properties appraised as either "new construction" or "existing construction".

Each set of proposed construction exhibits must include:

- Specifications on VA Form 26-1852, Description of Materials, signed and dated by the builder and by the Veteran. Other specification formats are also acceptable provided they are signed and dated by the builder and Veteran and are sufficiently detailed for VA appraisal and compliance inspection purposes
- Plot plan which includes the location of the well/septic systems, if applicable
- All exterior building elevations
- Foundation or basement plan
- Plan of all floors
- Sectional wall details
- A 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 (identification of the property by the 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 Official's 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

**Note:** In most cases for HUD Form 92541 to be acceptable it must have the identifying information at the top completed as well as Items 2 and 4 **or** Items 5, 6, 9, 10, 12, and 13.

Per VA Circular 26-14-23 appraisers may now use model homes rather than construction exhibits when appraising the property as "proposed" or "under construction" if the model home is:

- Fully completed
- The same plan type as the subject property
- Located in the same market area; and
- Is readily accessible to the assigned appraiser

This policy is not acceptable to "new construction". The appraiser should perform the appraisal according to VA requirements for "new construction" appraisals except for the following:

- In the “Comments” section at the bottom of page 2 of the Uniform Residential Appraisal Report (URAR), the 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 date \_\_\_\_\_.”

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.”

### Geological or Soil Instability

In areas that have a history of geological or soil instability, the builder must submit either:

- A certification that to the best of the builder’s knowledge and belief, any geological or soil-related hazard has been compensated for in the engineering design of the improvements and no portion of the construction will rest on fill;  
**or**
- Evidence from a qualified geologist or engineer that the subject site either does not present unusual geological soils-related hazards or such hazards have been compensated for in the engineering design of the improvements

Qualified geologists are state licensed or are a member of a national or state organization which requires responsibility, experience, education and demonstrated ability in the field of engineering geology.

### New Manufactured Homes Classified as Real Estate

Any case in which the foundation has not been fully completed and the manufactured home unit installed is considered to be “proposed” or “under construction”. Each set of construction exhibits must include:

- Specifications for the foundation and a plot plan as required for conventional site-built homes
- For double-wide homes, a detail of the mating line piers, if applicable
- A foundation plan showing the location and a cross-sectional detail of the supporting piers. In all cases include drawings of the foundation anchorage details
- A floor plan of the unit and exterior elevation drawings/photographs of the front and rear of the home unless the unit is physically located on the site to be appraised or the appraiser has access to the unit on the dealer’s lot. These may be provided in the manufacturer’s advertising or technical installation manual
- In states or localities that require the underside of the unit to be completely enclosed, details of the perimeter enclosure that comply with those requirements
- Since site conditions vary considerably from location to location, any revision needed to information provided in the manufacturer’s technical installation manual in order to comply with local requirements
- Appropriate construction exhibits for any other on-site improvements such as decks, enclosed patios, garages and carports, etc. to be financed with the loan proceeds
- A 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 (identification of the 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 requirements for lead-free water piping.” VA will accept HUD 92541, Builder’s Certification of Plans, Specifications and Site, in lieu of this certification

**Note:** In most cases for HUD Form 92541 to be acceptable, it must have the identifying information at the top completed as well as Items 2 and 4 or Items 5, 6, 9, 10, 12, and 13.