

VA Notices of Value

Accurate value estimates based on proper appraisal review are essential to the viability of the VA Loan Guaranty program and have a direct effect on the interest of the Government, Veterans and Lenders. Since appraisal reports are subject to change upon review, lenders should rely only upon a VA Notice of Value issued by the Lender's Staff Appraisal Reviewer (SAR). The following steps are to be taken when issuing a Notice of Value:

- Confirm the eligibility of the property for appraisal and LAPP processing
- Review the appraisal report
- Resolve any appraisal related issues
- Prepare the Notice of Value

Note: Every property eligible for the Lender Appraisal Processing Program (LAPP) should be processed under LAPP. If a LAPP lender fails to process an eligible property under LAPP, the request for VA Guaranty must include a detailed explanation.

Every appraisal made for VA purposes must be reviewed by the lender's authorized Staff Appraisal Reviewer under the Lender Appraisal Processing Program, or by a VA staff appraiser in order to:

- Confirm that the photographs accurately reflect the appraiser's description of the subject and comparable properties
- Verify that the appraisal report is fully complete, clear and prepared according to industry accepted appraisal techniques and VA instructions
- Determine that the appraiser's methodology is appropriate and that the appraiser's conclusions are consistent, sound, supportable, logical and based upon data in the appraisal report
- Determine, through use of reasonable available information, that the appraiser's value recommendation and other conclusions are consistent with those in similar cases recently processed
- Identify all property related conditions and requirements that must be satisfactorily resolved before the property can become the security for a VA guaranteed loan; and
- Issue a Notice of Value

The SAR must maintain up-to-date:

- Copies of the VA Lender's Handbook and all other VA-issued directives and other reference material pertaining to the Loan Guaranty program
- For LAPP lenders, this includes the material issued by VA field stations having jurisdiction over each area where the lender originates LAPP loans
- Applicable Federal statutes and VA regulations
- Uniform Standards of Professional Appraisal Practice (USPAP) published by the Appraisal Foundation
- Real estate market data

VA does not have a requirement that SARs visit the geographic areas where appraised properties are located. However, they should keep up-to-date on major real estate market conditions and trends in order to properly analyze the location-related information contained in appraisal reports. LAPP lenders are expected to take reasonable steps to resolve problems detected during their appraisal reviews. While office staff and authorized agents may contact the appraiser about the timeliness of a particular appraisal, only the lender's VA authorized Staff Appraisal Reviewer (SAR) may contact the appraiser to discuss valuation matters. VA fee appraisers are expected to cooperate in addressing concerns about the content of their appraisal reports and timeliness in completing assignments.

When information, methodology or conclusions in the appraisal report require additional clarification or support, the SAR must contact the appraiser and obtain the necessary information. Any clarification, correction or revision by an appraiser to an appraisal report must be in writing, signed and dated. The appraiser must clearly identify any revised appraisal report as such.

When a substantive problem is not corrected after a reasonable effort, the SAR must send to the VA office of jurisdiction:

- A written report which clearly outlines the issue(s) and the dates and results of contact with the appraiser; and
- The appraisal report and/or other pertinent documentation

VA will subsequently notify the appropriate parties of its decision and document the appraiser's performance file, the lender's file and the case file, as appropriate. It may be necessary for VA staff to review the appraisal report and issue a VA Certificate of Reasonable Value.

Note: Refer all complaints about property condition or appraiser performance to VA.

VA offices are expected to be as consistent as possible regarding NOV conditions and requirements.

SARS must issue the NOV at the appraised value reflected in the appraisal report and may not issue an NOV that deviates from the appraiser's value estimate. Questions regarding appraisal errors, omissions, or discrepancies that arise during the initial review should be handled by following normal procedures involved in contacting the appraiser. If contact results in the appraiser uploading an amended appraisal report with a changed value in WebLGY, the SAR must issue the NOV at that changed value.

Notice of Value Conditions and Requirements

Every Notice of Value 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.

This Table of NOV Conditions and Requirements:

- Lists each condition and requirement shown on the standard LAPP NOV in the same order as shown on the actual NOV
- Explains when each item is applicable
- Explains what action is required to satisfy the condition or requirement

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>Note: "Proposed" or "Under Construction" and "New Construction" cases are not eligible for VA's Energy Efficient Mortgage program.</p> <p>Item 1 on the NOV</p>
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 (TIP).</p> <p>Note: 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>Item 2 on the NOV</p>
Lien Supported Assessments	<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>Item 3 of the NOV</p>
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>Item 4 on the NOV</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

	<ul style="list-style-type: none"> Septic system in all cases in which there is an indication of a problem or the property is in an area known to have soil percolation problems <p>Item 5 on the NOV</p>
Connection to Public Water/Sewer	<p>Check the appropriate items if the property is served by an individual well or septic system if the local building, planning or health authority requires such connection.</p> <p>Item 6 on the NOV</p>
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>Item 7 on the NOV</p>
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 an SFHA <p>Note: Based on FIA's administrative review of the specific 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>Item 8 on the NOV</p>
Airport Acknowledgement	<p>Check this item if the property is located in an airport zone or safety-related zone acceptable to VA.</p> <p>Item 9 on the NOV</p>
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.</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 <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 recommendations do not appear necessary for the property to meet MPRs); or VA contact with SAR or 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 <p>Item 10 on the NOV</p>
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>Item 11 on the NOV</p>
"Not Inspected" Acknowledgment	<p>Check the appropriate items if the property was appraised as "new construction".</p> <p>Note: Item 12a on the NOV applies if the property is to be covered by a one-year builder's warranty. Item 12b on the NOV applies if the property is to be covered by a 10-year insured protection plan.</p> <p>Item 12 on the NOV</p>
10-Year Insured Protection Plan	<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>Note: 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</p>

	<p>and the enrollment process is otherwise completed.</p> <p>Item 13 on the NOV</p>						
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 a:</p> <ul style="list-style-type: none"> • Manufactured home built to HUD code and inspected by HUD in the factory; or • An individual unit in a condominium over two stories high <p>Item 14 on the NOV</p>						
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>Item 15 on the NOV</p>						
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>Item 16 on the NOV</p>						
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>Item 17 on the NOV</p>						
Construction Inspections	<p>Check this item if the property was appraised as “proposed or under construction”.</p> <p>Item 18 on the NOV</p>						
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” 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="358 1419 1419 1791"> <thead> <tr> <th>When Cases....</th> <th>Then....</th> </tr> </thead> <tbody> <tr> <td>Are processed as “proposed or under construction”</td> <td>The contractor responsible for the construction of the foundation and other on-site features must provide the one-year warranty</td> </tr> <tr> <td>Involve a new manufactured home unit</td> <td> <p>The manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty.</p> <p>Note: This warranty will cover the manufactured home unit only.</p> <p>The Warranty states that the mechanical equipment, electrical, gas and heating systems are in operating condition and the roof is weather tight. This Warranty is not required in connection with the sale of a used manufactured home not involving a dealer.</p> </td> </tr> </tbody> </table> <p>Item 19 on the NOV</p>	When Cases....	Then....	Are processed as “proposed or under construction”	The contractor responsible for the construction of the foundation and other on-site features must provide the one-year warranty	Involve a new manufactured home unit	<p>The manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty.</p> <p>Note: This warranty will cover the manufactured home unit only.</p> <p>The Warranty states that the mechanical equipment, electrical, gas and heating systems are in operating condition and the roof is weather tight. This Warranty is not required in connection with the sale of a used manufactured home not involving a dealer.</p>
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<p>Other Conditions and Requirements</p>	<p>Check this item and list any other conditions or requirements necessary to satisfy the appraiser's or local VA office concerns, or otherwise cause the property to meet all VA requirements.</p> <p>Required on "proposed and under construction" and "new construction". Insert the following statement:</p> <p>"All construction inspections have been or will be performed by the local building code enforcement authority in accordance with its policies and procedures with satisfactory results."</p> <p>Item 20 on the NOV</p>
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List of Notice of Value Conditions

1. **ENERGY CONSERVATION IMPROVEMENTS.**

You may wish to contact the utility company or a reputable firm for a home energy audit to identify needed energy efficiency improvements to this previously occupied property. Lenders may increase the loan amount to allow buyers to make energy efficiency improvements such as solar or conventional heating/cooling systems, water heaters, insulation, weather-stripping/caulking and storm windows/doors. Other energy-related improvements may also be considered. The 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 \$____ per [period of time]
- b. Other_____.

4. **CONDOMINIUM REQUIREMENTS.**

The lender is responsible for ensuring that this condominium is acceptable to the 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] 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:
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 the 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 on 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:
18. **CONSTRUCTION INSPECTIONS.**
 - a. Local authority to perform construction inspections at the foundation, framing and final stages and issue a Certificate of Occupancy (CO), final approval, or equivalent.
 - b. Local authority does not perform construction inspections, therefore, the property must be covered by both a 10-year insurance-backed protection plan that is acceptable to the Department of Housing and Urban Development (HUD), and a 1-year VA builder’s warranty. The lender is to certify that the property is 100 percent complete (both on-site and off-site improvements) and that it meets VA Minimum Property Requirements for existing construction.
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**Note: For New Construction Cases:**

- a. If the local authority performs the required foundation, framing, and final inspections and issues a Certificate of Occupancy (CO) or equivalent, VA will accept the CO for the property as evidence of local authority inspections and satisfactory completion of construction. VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported during the 1-year VA builder's warranty period.
- b. If the local authority performs the required three inspections but does not issue a CO 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 1-year VA builder's warranty period.
- c. If the local authority does not perform the required inspections, the property must be covered by a 10-year insurance backed protection plan that is acceptable to the Department of Housing and Urban Development (HUD), and a 1-year VA builder's warranty. In addition, the lender is to certify that the property is 100 percent 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 required 1-year VA builder's warranty period.

When issuing NOV's for proposed and under construction properties, SARS are to determine to their satisfaction whether local inspections are performed and adhere to the following procedures:

1. Where local authority performs inspections:
 - Check Items 12 and 12a in the Conditions/Requirements section of the NOV
 - Check Item 17 (Proposed Construction) and Item 19 (Construction Warranty) in the Conditions/Requirements section of the NOV
 - Check Item 20 (Other Conditions) and insert the following statement:
"All construction inspections have been or will be performed by the local building-code enforcement authority in accordance with its policies and procedures with satisfactory results."
 - Call for all other applicable proposed construction conditions and requirements on the NOV

The builder must have a valid builder identification number for a VA NOV to be issued and meet any state and/or local licensing requirements.

Construction exhibits must be provided to the appraiser with the request to appraise properties as "proposed or under construction".