

SAR INFORMATION

Lender's Staff Appraisal Reviewer

The lender's Staff Appraisal Reviewer (SAR) will receive appraisal reports from fee appraisers through the web-based VA loan guaranty system, WebLGY, and this is when the SAR's job begins. WebLGY is a comprehensive system that allows for completion of all functions required to process a loan, such as issuing Loan Guaranty Certificates or Certificates of Eligibility. SARs use WebLGY to perform all of their SAR functions and to issue the Notice of Value (NOV).

VA Guidelines, Policies, and Procedures

The Lender Appraisal Processing Program (LAPP) has the following conditions for both the lender and the SAR.

Lender Requirements – VA considers any person or entity that originates, holds, services, funds, buys, sells or otherwise transfers a loan guaranteed by VA to be a lender. VA may grant LAPP authority to any automatic lender that requests it and meets the qualification criteria outlined in Chapter 15 of the VA Lender's Handbook.

SAR Requirements

A lender's SAR must:

- Be a full time salaried employee
- Have at least three years of work experience that qualifies him/her to competently perform administrative appraisal reviews in conjunction with underwriting loans for VA loan guaranty purposes.
- Stay informed about any local VA processing requirements unique to the VA jurisdiction in which a property is located

LAPP Training

Once a SAR is approved for their current employer/lender then their LAPP authority may be used for properties in any state in which the employer has authority to close loans under the VA Automatic procedure. If the employer's automatic authority is extended into a new state, the SAR's LAPP authority is immediately extended as well. Additional information is available in Chapter 15 of the VA Lender's Handbook.

All Veteran applicants must meet all credit and income standards in order to qualify for VA guaranteed loans. When a loan is intended as a VA guaranteed loan, the lender must ensure that all VA requirements are met for the loan. Any property being purchased or refinanced with a VA loan must have a VA appraisal (except IRRRL streamlined refinance transactions).

When a lender receives a completed loan application from a borrower, the lender should obtain the Veteran's Certificate of Eligibility as well as collect the appraisal fee and then process the Request for Determination of Reasonable Value, VA Form 26-1805, in WebLGY. This initiates the appraisal order request and a Loan Identification Number (LIN) is assigned.

The fee appraiser is assigned through WebLGY. Appraisers on the fee appraiser roster have been accepted based on their background and experience. The fee appraiser will personally:

- Inspect the interior and exterior of the subject property
- Select and examine the exterior of comparable properties
- Analyze comparable sales
- Provide an opinion of market value of the subject property
- Sign the appraisal report as the appraiser
- Upload the appraisal report into the WebLGY system

It is important to understand each person's or group's role in the process before receiving appraisal reports.

Why an Appraisal is Required

Besides being required by law, appraisals are done to help determine the maximum loan amount that VA can guarantee and whether or not the property meets certain Minimum Property Requirements (MPR).

Timeliness Standards

When the appraisal report is received from the fee appraiser:

- Ensure that all needed documentation has been provided
- Check the accuracy of all information
- Create a list of all missing documents or inaccurate information
- Contact the fee appraiser for any missing documents or to correct inaccurate information

If timeliness standards are not followed, and the fee appraiser failed to explain why the VA timeliness standard was not met, contact the fee appraiser and request a corrected appraisal report containing an explanation for the delay. SARs are expected to know the local timeliness standards established by VA for fee appraisers. This information can be found on the VA Appraisal Fee Schedules and Timeliness Requirements website.

The SAR must complete the appraisal review and issue the Notice of Value (NOV) within five business days, from the date the appraiser uploads the report to WebLGY, unless a valid explanation is entered into the WebLGY notes section. Examples are, "missed work due to sick-leave" or "excessive appraisal report errors and delays by the appraiser". The Notice of Value establishes the reasonable value of the subject property for VA purposes.

Communication Requirements

When conducting a review of an appraisal there are processes to keep in mind:

- After contacting the fee appraiser, Regional Loan Center (RLC), or the Loan Officer notes must be entered in WebLGY to reflect contact and the reason for contact
- When contacting the Regional Loan Center (RLC), identify yourself as the SAR and indicate your SAR I.D. number. Also be sure to include the VA LIN to identify the appraisal about which you are contacting the RLC. E-mail is the preferred method of contact

To add notes to WebLGY:

- Log into WebLGY
- Enter or select the Loan Identification Number (LIN)
- Select "notes" from the appraisal menu
- Ensure the association is correct
- Type your note inside the "Note" text field
- Select the "Submit" button when the note is complete
- Verify your note is saved and associated with the LIN you selected

Log Onto WebLGY

To retrieve an appraisal report sign into WebLGY. Log into the Veterans Information Portal (VIP). After logging into VIP select "WebLGY" in the "Application" menu. The SAR should already be registered on the VIP and have obtained a personal identification number and password. When accessing WebLGY a report can be viewed listing all the appraisals pending review and ready for a NOV determination by selecting "Pending NOV-LAP" from the useful "LIN Lists" menu. To view a specific appraisal report, enter the Loan Identification Number (LIN) in the "LIN" text box.

Sales Contract

If an appraisal report involves a purchase transaction it must have a corresponding sales contract. The lender or appraisal requester loan processor is expected to upload a copy of the full and complete signed sales contract in WebLGY at the time of the VA appraisal assignment. If the full and complete signed sales contract is not uploaded in WebLGY at the time of appraisal assignment, the lender or appraisal requester must provide it to the VA fee appraiser within one business day of the appraisal assignment. The VA fee appraiser is then responsible for uploading a copy of the sales contract when their completed appraisal report is uploaded in WebLGY. In WebLGY find and open the "Sales Contract" in the "Appraisal Status & History" under "Property Information".

Before reviewing the appraisal report, examine the sales contract to determine if it is full and complete. To determine if it is full look to see if any pages have been left out. To determine if it is complete analyze the contract to ensure it includes:

- Signatures of both the seller and the Veteran purchaser
- The VA escape clause that protects the Veteran from losing a deposit on the purchase

- All of the elements of a contract
- Names of the parties involved
- The subject property address
- The sales price, any concessions, and the conditions of sale
- References to any addenda that are not included

Responsibilities

Fee Appraiser

The fee appraiser is responsible for uploading a full sales contract into WebLGY. If the sales contract has not been uploaded into WebLGY or if pages are missing, contact the fee appraiser by e-mail to ask him/her to upload the sales contract with all the pages into WebLGY.

Loan Officer

The Loan Officer is responsible for reviewing the contract when the loan application is received. The Loan Officer is the point of contact for the borrower, seller, and real estate professionals. It is the Loan Officer's responsibility to make sure the sales contract is complete. If the sales contract is not complete, notify the Loan Officer by e-mail of the revisions that need to be made to the sales contract.

After VA appraisals are completed the Loan Officer should not unilaterally upload sales contracts in WebLGY without notification to and subsequent review by the SAR. As the SAR determine, perhaps in consultation with the RLC, whether the VA fee appraiser needs to review the completed or amended sales contract.

Enter notes in WebLGY whenever you contact the fee appraiser concerning a complete sales contract. After contacting the fee appraiser, check WebLGY to determine whether the full and complete sales contract has been uploaded. When the revised sales contract has been uploaded, open it and review it again to determine if it is full and complete.

The SAR may directly contact the real estate professionals, the brokers or agents, involved in the subject transaction to obtain a complete and signed copy of the contract. The SAR should enter notes in WebLGY to explain all efforts made to obtain a full and complete copy of the contract.

Generally you should allow the appraiser two full business days to reply or respond to your requests. If no reply or response is received from the fee appraiser after two full work days, or if the contract remains incomplete, notify the Regional Loan Center to request assistance and enter additional notes into WebLGY documenting the appraiser's lack of response.

One reason a Loan Officer may have for not providing a revised sales contract is because the case has been cancelled. If the sales transaction was cancelled, notify the RLC of the cancellation.

Consistency Between the Sales Contract and Appraisal Report

Identify whether the following information in the sales contract is consistent with the appraisal:

- Homeowner and seller information
- Veteran purchaser information
- Subject property address
- Sales price and any disclosed concessions

If any inconsistencies between the appraisal report, appraisal request and sales contract are identified, contact the fee appraiser via e-mail with the discrepancies. If revisions are needed the fee appraiser will make the changes and upload a revised appraisal. If there is no reason to modify the appraisal, the fee appraiser will advise the SAR.

Contact the Loan Officer if the sales contract needs to be revised. The Loan Officer will work with the principals to revise the sales contract. Notify the fee appraiser when the sales contract is modified and uploaded in WebLGY.

If there are no discrepancies begin the review of the appraisal report.

Previous Appraisal Report Knowledge

After the sales contract has been reviewed for discrepancies determine if there are any issues to be resolved within the appraisal report documents. To find the appraisal report log into WebLGY.

A SAR should already have knowledge from prior experience including familiarity with:

- The requisite forms included in appraisal reports
- How to review appraisal reports
- Uniform Standards of Professional Appraisal Practice (USPAP)

Appraisal Report Purpose

The appraisal report should be reviewed in order to:

- Determine the appraiser's methodology to be appropriate and that the appraiser's conclusions are consistent, sound, supportable, logical and based upon data in the appraisal report
- Confirm that the photographs accurately reflect the fee appraiser's description of the subject and comparable properties
- Identify all property related conditions and requirements that must be satisfactorily reviewed before the property can become the security for the VA guaranteed loan
- Issue the Notice of Value (NOV)

Appraisal Report Forms

- Uniform Residential Appraisal Report (URAR), Fannie Mae Form 1004, for SFRs and PUDs
- Individual Condominium Unit Appraisal Report, Fannie Mae Form 1073, for Condos – including Site Condos
- Small Residential Income Property Appraisal Report, Fannie Mae Form 1025, for two-to-four unit properties
- Manufactured Home Appraisal Report, Fannie Mae Form 1004c, for Manufactured Homes

Note: As of 01/01/2012 only the URAR and the Individual Condominium Unit reports must be Uniform Appraisal Dataset (UAD) compliant.

Statement of Assumptions and Limiting Conditions and Appraiser' Certification

The appraisal report should contain a completed and signed Statement of Assumptions and Limiting Conditions and Appraiser's Certification. Review it to see if any modifications have been made to it. If you find a modification, contact the VA Regional Loan Center of jurisdiction for guidance.

Required Appraisal Report Attachments

Photograph Addendum – Review the photograph addendum to ensure that there are photographs of the subject property and comparable sales. In addition to interior photographs of the subject property, exterior photographs of the front, back and street view should be included. Only a front view of the comparable sales is required.

In “proposed or under construction cases” the photograph addendum must also include a front view photograph of each comparable and the subject site and street scene are required.

If the property is a condominium more than three stories high, no photographs of the comparable sales are required provided the subject and comparable sales are in the same project and are substantially identical.

When reviewing the photograph addendum:

- Make sure the photographs are clear and illustrative
- Confirm **photos of the subject property are actual photographs**, not MLS photos
- Verify that copies of photographs for comparable sales from a multiple listing service include an explanation as to why original photos were not available

Keep in mind that if an NOV is issued because the SAR incorrectly determines that an appraisal is completed, a significant error has been committed. This includes the photographs.

Building Perimeter Sketch

The appraisal report should include building perimeter sketches showing the “footprint” of all improvements including the floor plan layout of the residential spaces. A building perimeter sketch or floor plan should show the:

- Room Layout
- Exterior Dimensions
- Square Footage Calculations

Remember the room count in the appraisal report should be consistent with the room count shown in the building perimeter sketch. If the room count is really inconsistent, to the point where it impacts the value, it can be a critical error if not caught.

Location Map

Examine the location map to determine whether comparable sale properties conform to the subject property. If there is not an adequate map, check to see if narrative is given providing directions to the subject and comparable sales. Look to make sure the comparable sales are located within the market area of the subject property. This should be within a reasonable proximity to the subject neighborhood indicated on the appraisal report.

Look for external factors on the map that are around the subject property and/or comparable sales that would affect value such as highways, airports, parks, schools, and bodies of water. Look to make sure the map scale is consistent with the overall proximity of the properties; for example, a close-up scale may be used for urban properties and a wider scale for rural properties.

Market Condition Addendum

Fannie Mae has established additional appraisal requirements to supplement the minimum standards set forth in the Uniform Standards of Professional Appraisal Practice (USPAP). Specifically Fannie Mae is requiring appraisers to document the overview of neighborhood market conditions and trends by using Fannie Mae’s Market Conditions Addendum, Form 1004MC. Keeping with industry trends, VA requires appraisers to include this form in all VA appraisal reports. Make sure there is no missing or conflicting market, trending sales, or listing information.

Appraisal Invoice

Review the appraiser’s invoice and ensure that the appraisal fee does not exceed the maximum allowable fee established by the local Regional Loan Center (RLC). Each RLC has its own appraisal fee schedule that lists the maximum allowable fees for the appraisal type and number of days allowed for completion of the appraisal.

If the invoice has an appraisal fee that exceeds the maximum amount allowed by the RLC, contact the appraiser and ask for an explanation. The appraisal fee may only exceed the published maximum amount when authorized by the RLC.

Optional Information

Flood Maps

Flood maps are not VA required documents. The appraiser is expected to provide a determination on their appraisal report.

Supplemental Addenda

Additional information to support the appraiser’s conclusions might be contained in the appraisal report. Additional information could include proposed construction exhibits, inspection reports, and any other information the appraiser believes is warranted.

Document Missing Components

If the appraisal report is incomplete, document any missing appraisal report components. The appraiser is responsible for providing missing information. After completing the review of the appraisal’s components, send a request to the appraiser to address significant appraisal report deficiencies or omissions.

Component Checklist:

- ✓ Appraisal Report Form
- ✓ Photograph Addendum
- ✓ Building Perimeter Sketch and Floor Plan Addendum
- ✓ Location Map
- ✓ Market Conditions Addendum

Appraisal Report Sections

Subject Section

The Subject section of the report should be reviewed thoroughly to ensure that the data is correct. Verify the following items are given and that they match the sales contract:

- The legal description and street address
- The buyer and seller information

The estimated taxes must be filled in and, if the property is identified as being in a PUD, make sure the homeowners' association dues are given. Make sure the other general information about the subject property is accurate and sufficient.

Contract Section

Review the appraisal report to verify the following components of the Contract section:

- The sales price matches the sales contract
- The concessions match the sales contract
- The appraised value is equal to or greater than the contract price

Tidewater Initiative

If the appraised value is not equal to or greater than the contract price, check that the appraiser followed the "Tidewater Initiative" as outlined in VA Circular 26-03-11. The purpose of the initiative is to encourage VA program participants to provide relevant market data to VA fee appraisers during the appraisal process. The goal is to limit the number of cases that reach the reconsideration of value stage.

VA appraisers are required to notify the "Point of Contact" listed on Form 26-1805, Request for Determination of Reasonable Value, 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 Point of Contact beyond explaining that they are calling for whatever additional information the Point of Contact may be able to provide to help support the sales price. The requester who completes the 26-1805 form may designate whomever they feel is most appropriate as the Point of Contact such as the Realtor, Loan Officer, Loan Processor, etc. Generally the Point of Contact is the Listing Realtor.

When the sales price is greater than the appraised value the appraisal report should include the appraiser's comments regarding compliance with the Tidewater Initiative.

Neighborhood Section

When reviewing the Neighborhood section it is important to make sure the information is consistent with the rest of the appraisal report and that the information paints a detailed complete and consistent picture of the subject property. For example, if the appraiser reports Marketing Time is under three months, you would expect the comparable sales to be recently closed sales. The Neighborhood section must include:

- A sales to list price ratio
- Information that is specific to the subject property

Note: The appraiser may include the sales to list price ratio as part of the Market Conditions Addendum. This is a common way for appraisers to present this information.

Site Section

When reviewing the site section, make sure there is calculated acreage or square feet, or if not, an explanation is given for why the information is missing. The utilities should be completed and you should expect the comparable sales to have the same type of utilities. Be aware of whether there are septic or well utilities and check for zoning compliance.

If there are adverse issues noted in the site comments, make sure appropriate adjustments and comments appear in the Sales Comparison Approach section. The Photograph Addendum should match the description in the Site section for items such as curbs or gutters if they are mentioned. It is important to realize whether or not the property is connected to public utilities. This information will be needed when issuing the Notice of Value.

Improvements Section

The improvements section contains information on the subject property's features. Review the subject property photographs, the sketch/floor plan, and Sales Comparison Approach section to verify the description of the improvements. For all cases appraised as "Proposed or Under Construction" or "New Construction" you need to verify the VA Builder I.D. number using the search feature located in WebLGY.

Also make sure you check the following items:

- If a large variance exists between the actual age and effective age of the subject property it must be supported with explanations of the improvements and upgrades
- Review the foundation section carefully. If foundation problems, defects or deficiencies are identified look for the appraiser to address these in the list of required repairs or inspections
- Read the comments portion of the Improvements section carefully. This section often provides negative information about the property and additional features to support adjustments made in the Sales Comparison Approach section.

Sales Comparison Approach

Proximity to the Subject Property

The comparable sales should be in close proximity with the subject property. Make sure that the location map and information in the Neighborhood section of the report are consistent with the comparable sales. The appraiser must enter the proximity of the comparable sales to the subject property expressed as a distance in miles. The distance between the subject property and each comparable property is to be measured using a straight line between the properties. The direction of the comparable property in relation to the subject property must be expressed. For example: 1.75 miles NW.

The appraiser should provide an explanation regarding the choice of comparable sales when dealing with rural property or when selecting comparable sales that appear outside of the subject property's area.

Sales or Financing Concessions

Appraisers are required by Uniform Standards of Professional Appraisal Practices (USPAP) to research and report financing concessions on all comparable sales when such information is reasonably ascertainable. Look to see if any data is provided. If no concessions are noted continue with the review.

If concessions are reported look for the appraiser's comments about the information provided. If this is not provided contact the appraiser for further explanation. The appraiser must report the concession's effect, if any, on the comparable sales price. In doing so the appraiser should consider all of the following:

- That the effect of financing/sales concessions can vary in different locales
- The amount of any adjustments should generally be based upon the real estate market reaction to the concession and not on the dollar-to-dollar cost of the concession to the seller
- Proposed/New Construction cases, closed sales by the same builder, sales in competitive subdivisions and re-sales of similar existing properties

Sales Price/Leasehold/Fee Simple/Site

The sales price of the subject property should be reflective of similar comparable sales. Substantial differences between the subject property's sales price and those of the comparable properties should be explained or reflected in the adjustments to the comparable sales.

If the subject property is leasehold, the comparable sales should be leasehold. If the subject property is Fee Simple, the comparable sales should be Fee Simple. If not, look for an explanation.

It is a VA requirement for the site area to be reported for both the subject and comparable sales. Comparable sales should have sites similar in size and amenities to the subject property. Large differences between the subject site size and the site size of the comparable sales must be adjusted or explained.

Above Grade/Room Count/Gross Living Area

Comparable sales should be similar to the subject property in many areas including the gross living area (GLA). The appraiser may have difficulty locating similarly sized comparable properties when the subject property is larger than most of the properties in the area and possibly an over-improvement for the area.

Look for extreme differences between the square footage and number of bedrooms/baths in the comparison of the subject property and the comparable sales. Extreme differences in room count (comparing a two bedroom home to a four bedroom home) represent a different buying market and should be avoided if possible.

Some lenders have an underwriting guideline that prohibits adjustments for both square footage and room count. For example, if the subject has 1800 sq. ft. and four bedrooms but Comparable #1 has 1500 sq. ft. and three bedrooms, the theory is that the square footage adjustment should account for the added bedroom so an additional bedroom adjustment cannot be applied. **VA considers that the number of bedrooms may relate to the functional utility of the dwelling and may be a consideration in addition to the property's GLA and square footage.** Adjustments for differences in room count and/or gross living area are market derived and will vary among residential markets.

Sales History/Indicated Value

Prior sales or listings of the subject property and/or comparable sales should be provide for the last three years. The prior sales must be analyzed and clearly explained in the appraisal report and should include:

- A complete analysis to support the reasoning for a significant variance between the prior sale price(s) and the opinion of value for the subject property
- The reasoning for the variance between a prior sale of any comparable and the price it most recently sold for when used in the current appraisal

The indicated value for the subject property should normally fall within the unadjusted sales price range of the comparable sales. If not, be sure to review this section of the report for proper choice of comparable sales, support for the adjustments and explanations from the appraiser.

The indicated value for the subject property must be within the adjusted sales price range of the comparable sales.

Reconciliation/Additional Comments Section

Confirm that the final opinion of market value is consistent with the indicated value and that the value is made appropriately "as-is", "subject to completion per plans and specifications" or "subject to inspection or repairs". Examine the written text of the report to ensure the accuracy of the information. You will need to look at the following:

- Uniform Appraisal Dataset (UAD) Compliance
- Major inaccuracies such as the use of "canned" statements that are inappropriate or do not provide explicit detail, and inconsistencies in the statements within the report.
- Adequate support for significant adjustments

Cost Approach Section

VA does not require the completion of the cost approach unless it is applicable to the appraisal. However, the Cost Approach section must include the estimated remaining economic life of the subject property. Make sure the estimated remaining economic life accurately reflects the condition of the property. The remaining economic life should be a fixed number, not a range. The appraiser must provide an explanation if the remaining economic life of the property is less than 30 years.

If the appraiser provides a site value the remainder of the Cost Approach section must be completed. Verify that the dwelling and garage sizes used in the calculations are consistent with the information in the Improvements section of the appraisal report.

Income/PUD Information Sections

Development of an income approach for a single family property is not required. If the appraisal involves a two-to-four unit income producing property, the appraiser will use the Small Residential Property Appraisal Report, which requires value estimates developed through both the income approach and the sales comparison approach in the final reconciliation.

If the property is a PUD, make sure the appraiser responds to the first question, "Is the developer/builder in control of the Homeowner's Association (HOA)?" If the answer is "yes" the appraiser should complete the remaining portion of the PUD information section.

Property Eligibility and Acceptability

Existing Construction

A home that has either been previously owner-occupied or had all onsite and offsite improvements fully completed for one year or more.

New Construction

Newly completed properties, completed less than one year and never owner-occupied, are eligible if all New Construction requirements are met (refer to New Construction section).

Proposed or Under Construction

A property is eligible for an appraisal prior to construction or during construction if the following conditions are met: The appraisal is based on proposed construction exhibits and the property is inspected by local code authorities during construction or is covered by a ten-year warranty. The appraisal report should clearly identify the plans and specifications used to appraise the property. If a model home is used in lieu of plans and specs, the model home (plan/elevation/builder/location) must clearly be identified.

Manufactured Homes Classified as Real Estate

To be eligible for a VA loan term of 30 years a manufactured home must: Be classified and taxed as real property, be properly affixed to a permanent foundation, conform to VA MPRs, and conform to applicable building codes and zoning requirements for real estate.

Modular Homes

Are eligible provided the homes are covered by a HUD structural engineering bulletin or constructed to the standards of the state in which the factory is located and receive that state's approval certification. They are delivered to the building site in sections but are not attached to a chassis supported by wheels.

Altered/Improved/Repaired

A VA-guaranteed loan may be acquired to alter, improve or repair a property owned and occupied by the Veteran as the Veteran's home. The property is eligible either:

- Prior to being altered, improved or repaired. When extensive alterations, improvements or repairs are to be made, VA must determine on a case-by-case basis at the time of the appraisal request, which construction exhibits are required. All work must be inspected to the extent determined by VA.
- After being altered, improved or repaired. This usually involves a VA-guaranteed loan for refinancing purposes. Generally no construction exhibits or inspections are required if the work was completed prior to the appraisal.

In both cases all work must be acceptably completed before VA guaranty of the loan. (We do not offer this program)

Properties Securing an Existing VA Loan

Are eligible for refinancing. Loan types used for refinancing include cash-out loans that require both an appraisal and a VA NOV or Interest Rate Reduction only loans which do not require an appraisal or NOV. Note, for IRRRL refinances, the lender may request an appraisal (non-VA appraisal only).

Ineligible Properties

The following types of properties are not eligible:

- Properties not likely to meet MPRs
- Those with location problems
- Unapproved condominiums
- Ownership other than Fee Simple

Properties not Likely to Meet MPRs

Property in a badly deteriorated condition is not eligible unless it can be repaired and meets VA Minimum Property Requirements prior to loan guaranty.

Properties with Location Issues

Properties are not eligible if the improvements are or will be located in:

- A Special Flood Hazard Area (SFHA) and either it is proposed/under/new construction with elevation of the lowest floor below the 100 year flood level, or flood insurance is not available
- An area subject to regular flooding for whatever reason whether or not it is in an SFHA
- A Coastal Barrier Resources System area
- An airport Noise Zone 3, if proposed or under construction
- A location where any part of the residential structure is within a transmission line easement involving high-pressure gas or liquid petroleum or high voltage electricity
- An area susceptible to geological or soil instability (earthquakes, landslides or other history of unstable soils), if proposed/under/new construction and the builder cannot provide evidence that either the site is not affected, or the problem has been adequately addressed in the engineering design

Unapproved Condos

A condominium project must be acceptable to VA before any unit in a project can be eligible for VA loan guaranty. To avoid an unnecessary appraisal fee, a VA appraisal on a condo unit in a condo project not approved by VA should not be requested unless there is a reasonable likelihood that VA will accept the project prior to VA loan guaranty. If you receive an appraisal on a condo that is in a project that is not VA approved, contact the RLC for guidance.

Ownership Other than Fee Simple

Prior VA approval is required for properties that have less than Fee Simple ownership. Examples of such properties include; Leaseholds, Cooperatives and properties with ground rental arrangements. If you receive an appraisal for a property with one of these issues, and it does not have approval from VA, contact the RLC for guidance.

Minimum Property Requirements – If a property appraisal has been completed and uploaded to WebLGY then the appraiser has determined that the property meets MPRs or can meet MPRs with noted repairs. The MPRs essentially provide general acceptability criteria for properties utilizing the VA-guaranteed loan program and assure that the property is safe, sanitary, and structurally sound. If you disagree with a fee appraiser's findings that the property meets MPR requirements and are unable to resolve the issue with the appraiser, contact the RLC for additional assistance.

Common Appraisal Report Errors

Non-Critical Errors:

- ✓ The Market Condition Addendum contains conflicting, or is missing, market, trending sales or listings data information
- ✓ The design block of the appraisal report is not properly completed
- ✓ The appraisal report for a "New Construction" property is appraised subject to "completion per plans and specs"
- ✓ The appraiser is requiring a "certification" in lieu of requiring repairs

Critical Errors:

- ✓ The appraisal report contains large or inconsistent adjustments on basements, gross living area, age and condition
- ✓ The SAR failed to contact the appraiser to address and resolve issues with the appraisal report
- ✓ The SAR issued the NOV based on the review of an incomplete appraisal

Unresolved Issues

Once the review of the appraisal is complete it is time to determine if there are any unresolved issues such as incompleteness, timeliness, and inaccuracies that have not been satisfactorily explained by the appraiser. Contact the appraiser regarding all appraisal issues. When the appraiser is contacted it must be in written form via e-mail to provide documentation of the contact. Appraisers spend their days in the field so are often not available for phone calls. Enter notes in WebLGY to reflect the contact with the appraiser and the reason for the contact.

Give the appraiser two business days to respond to the request for more information. Note, if the only issue with the appraisal report is the timeliness of completion, do not wait for a response – continue the review process.

Uncooperative Appraiser

VA fee appraisers are expected to represent the Department of Veterans Affairs in a manner that reflects professionalism and is oriented toward customer service. Appraisers are expected to provide a status report on the anticipated delivery date of their work when requested by a legitimate party to the transaction. Other than giving an appraisal status report to an interested party, the appraiser should not discuss their appraisal report with anyone other than the **VA RLC staff or the SAR.**

When an appraiser is contacted with a concern regarding the appraisal report, the appraiser should be cooperative and helpful in resolving the issue. If the appraiser is argumentative, refuses to cooperate or minimally complies with the request the RLC should be contacted immediately for assistance. Enter notes into WebLGY to reflect contact with the RLC and the reason for the contact.

Requesting a Notice of Value Change

Once the Notice of Value has been issued, VA policy allows the NOV to be changed if one of the following applies:

- ✓ The change is clearly warranted and fully supported by the real estate market or other information which would be considered adequate and reasonable by professional appraisal standards
- ✓ The issuance of the NOV involved fraud, misrepresentation or substantial VA or LAPP lender administrative error and action is necessary to make the evaluation consistent with the real estate market

Any party to the transaction may request a reconsideration of value or other change. The request must be in writing and submitted to the lender's SAR – not the appraiser.

Requesters can appeal any reconsideration decisions made by the SAR and/or the appraiser and these appeals should be sent to the RLC. Record the date of receipt of the request for change to the Notice of Value.

Changes to Conditions

Review the change request to determine whether or not it is for a change in the Notice of Value conditions. A change in conditions may include the addition or removal of an NOV item. A change in NOV conditions could also result in a change in property value.

Sometimes changes to the conditions are because of errors that were made when issuing the NOV. The changes to conditions may or may not result in a value change. For example, the request could be to correct a condition that was marked incorrectly on the NOV, such as a condition for Water/Sewage System Acceptability when the appraisal indicated that the dwelling is connected to a public water supply. This is a change that the SAR can make without the need to contact the appraiser to review this change for an impact on the subject property value.

Determine whether the change is for a change in a condition relating to MPR. **If the request is for a change in an MPR, refer the request to the RLC.**

Reconsideration of Value

When a reconsideration of value is requested, analyze all information received from the requester to determine whether it is sufficient for reconsidering the property value. If it is determined that the request is not something that can be approved, or if there is uncertainty whether the request is something that may be approved, refer the case to the local RLC.

If the request is to change the value of the NOV and it is determined there is insufficient information to process the request for change of value, contact the requester for additional information that will aid in making a decision to change the property value.

If the requester does not respond to the request for additional information or the information they provide is insufficient to warrant forwarding to the appraiser, the SAR has the authority to deny the request. The denial should inform the requester that if they have additional information in support of their request they may submit the information. This does not remove the requester's rights to appeal the denial to the VA.

In the event the request includes information that could be prejudicial of the appraiser, such as personal complaints or comments, contact the RLC for direction.

Contacting the Appraiser

The appraiser should be contacted if:

- There is uncertainty regarding whether/how much the change affects the value
- The change does impact the value
- The request is for a change in condition due to the possibility the appraiser indicated the condition in error

If it is determined that there is sufficient information for changing property value, send an e-mail to the appraiser regarding the need for assistance and enter notes in WebLGY. If necessary follow up with the appraiser between two to five working days from the initial contact. The appraiser must provide a response to the request, and if necessary, upload a revised appraisal report in WebLGY within three business days of the receipt of your request.

Best Practice

In almost all cases refer the submitted change request and information to the appraiser to reconsider the value.

The Appraiser's Response

When the appraiser responds to the request for assistance in processing the request for change in value, review the appraiser's response to determine whether the property value has been revised. If the appraiser revised the property value, the amended appraisal report must be uploaded into WebLGY.

Based on the information received from the appraiser, either deny the change request or revise the NOV. If the appraiser did not recommend a revision to the property value and there is no evidence that supports a change in the property value, deny the change request and send notification to the requester indicating that the request is denied and the reason for the denial. Remember, the requester may appeal the denial to the RLC.

Revising the Notice of Value

Revising NOV Conditions

If the appraiser's information or the SAR's review of the NOV determines that there is a change in condition but the change in condition does not impact the property value or involve an MPR repair, revise the NOV for the change in condition and no change in value. Send a copy of the revised NOV to the Appraisal Desk for forwarding to the Veteran.

Note: SARs are responsible for issuing revised NOVs in cases where clerical errors need to be corrected.

Revising the NOV Value

When the change in value is less than 10%, and the appraiser has provided a revised appraisal report, issue a revised NOV.

The following circumstances would result in cases being forwarded to the RLC:

- The appraiser is contacted to assist with the request for change in value and does not respond
- The change request requires a change to or waiver of an MPR
- The request for reconsideration of value is for an amount that is 10% or greater than the original appraised value
- The request for reconsideration of value involves a case where the original appraised value has been previously increased

Contacting the RLC should be done via e-mail and include an explanation of the situation. When contacting the RLC remember to make notes in WebLGY.

Transferring Appraisal Reports

A Veteran purchaser may choose to change lenders and request a transfer of the appraisal report to the new lender. Remember only the appraisal report can be transferred, **not the Notice of Value itself**. The new lender will review the appraisal report and issue its own NOV. Lenders are expected to cooperate on a reciprocal basis when a Veteran purchaser chooses to have the mortgage transaction completed by a lender other than the one who ordered the appraisal.

Before transferring the appraisal the subsequent lender must have LAPP authority to receive the appraisal report. WebLGY will not complete a transfer unless the new lender is LAPP approved. The RLC will issue the NOV for lenders who do not have LAPP authority. VA staff has access to all case documents including the appraisals for all case numbers, therefore, it is not necessary to transfer cases to the RLC.

If the new lender does have LAPP authority, transfer the appraisal report to the new lender. The new lender must provide their Lender I.D. number. Before transferring the case record the transfer of the appraisal report within WebLGY. There is a function in the SAR Workspace of WebLGY to transfer a case. After selecting this function type the first 10-digits of the new lender I.D. number in the appropriate text field, then submit the transfer. After the transfer the status of the case will change to "Pending Review" and the original lender will no longer have access to the case.

SAR Deficiency Letters

The RLC may issue deficiency letters to SARs if they do not comply with VA standards. The RLC will send deficiency letters to the SAR and to their corporate office. The main purpose of the deficiency letter is to advise the SAR of noted errors, omissions, or discrepancies that were overlooked or unaddressed when the appraisal was reviewed or when the NOV was issued. Examples of errors that would require VA to issue deficiency letters are:

- Failure to address and resolve deficiencies of the appraisal including the appraisal package data/forms and timeliness standards
- Failure to adhere to timeliness standards in the completion of the NOV or to adequately document in WebLGY reasonable circumstances that prevented timely completion of the NOV
- Failure to properly indicate all applicable conditions for the NOV
- Failure to properly indicate all applicable MPRs for the NOV
- Failure to make sure the property value for the NOV matches the appraisal report
- Failure to make reasonable decisions about referring the case to the RLC

Read the SAR deficiency letter for indications of a deficiency and to determine if the deficiency is accurate. When a SAR disagrees with a deficiency, the SAR should e-mail a rebuttal to the local RLC containing the reasons for disagreeing with all or some of the deficiency letter.

The SAR will receive a response from the RLC. Review the RLC's response concerning the rebuttal and determine whether the RLC accepts the rebuttal. If the SAR agrees with the deficiency or, if the RLC does not agree with the rebuttal, review the required policies and procedures in the VA Lender's Handbook. Reviewing this information will help the SAR to improve and make fewer errors.

After reviewing the deficiency letter determine if the RLC indicates that the NOV should be reissued and/or the letter requires a response. The deficiency letter will indicate the type of responses, if any, that are required to be made. The deficiency letter may require that the SAR take corrective action, take preventative measures, or send a response to the RLC.

If VA requires an amended NOV, enter the changes and enter notes in WebLGY reflecting that action has been taken, then re-issue the NOV. Send a copy to the Appraisal Desk for forwarding to the Veteran. If a response is required, e-mail the response to the RLC.