



# LENDERS HANDBOOK

[VA-Pamphlet 26-7]

## CHAPTER 10

# APPRAISAL PROCESS



# Chapter 10 Appraisal Process

## Overview

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Chapter**

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# 1. Appraisal Process Summary

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**a. Purpose**

Appraisals are performed to protect the interests of Veterans, lenders, servicers and VA.

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**b. Appraisals Requested Online**

Authorized requesters may order appraisals online in WebLGY only after a Certificate of Eligibility (COE) has been requested. In most cases, VA will automatically assign an appraiser on VA's fee appraiser panel to perform the appraisal.

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**c. Appraisal Guidelines**

The fee appraiser will estimate the market value of the property in accordance with the [Uniform Standards of Professional Appraisal Practice \(USPAP\)](#) and VA appraisal guidelines. The appraiser will note any readily apparent repairs needed for the property to meet VA's Minimum Property Requirements (MPRs).

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**d. Appraisal Review**

The completed appraisal report will be uploaded into WebLGY and electronically scored by VA's Appraisal Management System (AMS). A Staff Appraisal Reviewer (SAR) employed by a lender or servicer, or VA staff, will review the appraisal and issue a Notice of Value (NOV) to the Veteran.

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**e. Oversight**

VA staff performs oversight by conducting desk and field reviews of completed appraisals and NOVs.

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## 2. Ordering an Appraisal

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**a. Appraisals Requested in WebLGY**

Lenders and servicers, as well as their authorized agents, may request appraisals in WebLGY, through the [Veterans Information Portal \(VIP\)](#). Detailed steps for placing an appraisal order are listed in Exhibit 1 at the end of this chapter. Lenders must ensure that agents requesting appraisals on their behalf are familiar with the requirements in this chapter.

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**b. Access to WebLGY**

Requesters must obtain a “User Name” and “Password” for VIP at: <https://vip.vba.va.gov>. Users who are already registered may use the “Lost User Name” and “Lost Password” links on this page. Users must never share their password.

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**c. Privacy and Security Procedures**

All users of VIP must protect the sensitive information contained in this system from unauthorized access. All VIP users must abide by the Privacy and Security procedures listed at: [https://vip.vba.va.gov/portal/userprofiling/html/registration/privacy\\_security.html](https://vip.vba.va.gov/portal/userprofiling/html/registration/privacy_security.html).

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**d. Appraisal Fee Payment Certification**

When an appraisal is ordered, the requester must certify that: **On receipt of "Notice of Value" or upon advice from the Department of Veterans Affairs that a "Notice of Value" will not be issued, we agree to forward to the appraiser the approved fee which we are holding for this purpose.**

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## 2. Ordering an Appraisal, continued

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**e. Legal Description**

For all appraisal types, if the legal description is lengthy and does not fit in the legal description block on the appraisal request, a copy of the complete legal description should be uploaded into WebLGY the same day the request is made. In order to avoid delays on appraisals, the appraiser may determine if sufficient information is provided to identify the property and proceed with the appraisal.

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**f. Sales Contract and Exhibits**

If the Veteran is purchasing a home, the requester must upload a copy of the executed sales contract into WebLGY (see Topic 3 of this chapter). In addition, for proposed and under construction properties, construction exhibits must also be uploaded into WebLGY. These documents should be uploaded the same day the request is made. If these exhibits are of a size that is too large for uploading, the exhibits must be sent to the appraiser by overnight delivery.

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**g. Appraiser Assignment Questions**

For questions related to the assignment of a fee appraiser, the Regional Loan Center (RLC) of jurisdiction should be contacted. RLC contact information is available at [http://www.benefits.va.gov/HOMELOANS/contact\\_rlc\\_info.asp](http://www.benefits.va.gov/HOMELOANS/contact_rlc_info.asp) or [http://www.benefits.va.gov/HOMELOANS/contact\\_cv.asp](http://www.benefits.va.gov/HOMELOANS/contact_cv.asp).

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**h. Technical Questions**

For technical questions concerning VIP or WebLGY, the VIP Help Desk may be contacted by email at [vip@vba.va.gov](mailto:vip@vba.va.gov).

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### 3. Sales Contract

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**a. Upload of Sales Contract into WebLGY** If the Veteran is purchasing a property, the requester must upload a copy of the executed sales contract into WebLGY the same day the request is made. If the requester does not upload the sales contract, the appraiser must place the appraisal assignment on hold, notify the requester, and document the delay in WebLGY notes.

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**b. Appraiser's Analysis of the Contract** The appraiser must analyze all sales contracts, options, or listings of the subject property as of the effective date of the appraisal, if such information is available to the appraiser in the normal course of business. The appraiser will analyze the sales contract in estimating the reasonable value of the property and will also consider any effect on VA MPR repairs.

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**c. Appraiser's Access to the Contract** The appraiser must have access to the sales contract in order to consider financing data, sales concessions or other information included in the contract when estimating the reasonable value of the property.

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**d. Amendment to the Contract before the Appraisal is Completed** If the sales contract is amended during the appraisal process (prior to the effective date of the appraisal), the lender must provide the updated contract to the appraiser to ensure the appraiser considers the potential impact on value of any changes.

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### **3. Sales Contract, continued**

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**e. Amendment to the Sales Contract after the Appraisal is Completed** If the sales contract is amended after the effective date of the appraisal, but prior to loan closing, the lender must use due diligence to determine whether the amendment(s) could reasonably be thought to affect the estimated value of the property. If so, the lender must forward the amended sales contract to the VA fee appraiser for consideration. The appraiser will be responsible for determining the impact of the amended sales contract and compliance with all provisions of **USPAP** in developing and reporting credible assignment results. Depending on the extent of any change to the originally considered sales contract, the appraiser may consider the change to constitute a new assignment under **USPAP**, warranting an additional fee, chargeable to the Veteran, up to the full amount of a new appraisal.

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**f. Due Diligence** If the lender fails to perform due diligence in reviewing any subsequent contract amendment(s), and/or fails to forward the contract amendment appropriately, the loan may be subject to review for indemnification, or any claim against the guaranty may be subject to adjustment.

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## **4. Duplicate Appraisal Requests**

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**a. Cancellation of a Duplicate Request**

Once an appraisal has been requested, no duplicate appraisal requests are authorized. If a lender requests more than one appraisal for the same Veteran on the same property, the lender must immediately cancel the additional request(s), following the procedures in Topic 5 of this chapter.

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**b. Fees for Duplicate Appraisals**

If a lender fails to cancel duplicate appraisal requests and multiple appraisals are completed for the same Veteran on the same property, the lender will be responsible for the fees for all duplicate appraisals. The NOV will be issued based on the first appraisal requested.

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**c. No Duplicates during the NOV Validity Period**

After the NOV has been issued, no duplicate appraisals may be requested for the same Veteran on the same property during the validity period of the NOV.

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## 5. Canceling Appraisal Requests

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**a. Cancellation Before the Appraisal is Completed**

An appraisal request may be canceled before the appraisal is completed for a valid reason, for example, if the lender finds that the borrower will not qualify for the loan. The following steps must be followed to cancel an appraisal:

- Immediately notify the appraiser of the cancellation. The appraiser may charge a fee for any work performed prior to this notification which is chargeable to the Veteran.
  - E-mail a request to the RLC to cancel the appraisal in WebLGY. The request should include the VA case number, the property address, the reason for the cancellation and confirmation that the appraisal fee, if charged for any work performed, will be paid.
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**b. Cancellation After the Appraisal is Completed**

A case may be canceled after the appraisal has been completed, but before the NOV is issued for a valid reason, for example, if the sale falls through, by following the same steps. In this situation, the lender is not required to issue the NOV and upon cancellation, the case will be removed from the lender's list of appraisals pending review in WebLGY.

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**c. No Cancellations After the NOV is Issued**

An appraisal request may **not** be cancelled after the NOV has been issued.

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## 6. Customer Service Expectations

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**a. Appraiser Expectations** Appraisers who are appointed to VA's fee appraiser panel are well qualified, experienced appraisers. Fee panel appraisers are entrusted with the responsibility of performing accurate and timely appraisals for VA's Home Loan Guaranty program. While VA fee panel appraisers are not VA employees, they are among the most visible participants in VA's Home Loan Guaranty program. Appraisers serving on VA's fee appraiser panel are expected to serve Veterans and their mortgage lenders in a professional manner at all times. VA is committed to providing the highest level of customer service to all Veterans.

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**b. Reassignments without Delay** If the VA fee appraiser finds that the appraisal request must be reassigned due to a conflict of interest or other valid reason, the appraiser must immediately notify the RLC to assign another appraiser.

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**c. Appraisal Status** Fee appraisers may be contacted by lender and servicer employees other than SARs inquiring about the **status** of the appraisal. Fee appraisers are expected to respond promptly, by the next business day at the latest, providing an update on when the appraisal report is expected to be completed.

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**d. Email Subject Line Timesaver** When communicating by email, place the VA Loan Identification Number (LIN) in the subject line. Do not include any other information such as the borrower's name or address due to privacy concerns. Also state the reason for the request.

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**e. Appraiser's Notification to a Lender** When preparing an origination appraisal for a purchase, if the estimated market value appears to be below the sales price, the appraiser must notify the lender regarding additional market data (see Topic 8 of this chapter).

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## **6. Customer Service Expectations, continued**

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**f. Appraisal Clarifications** The appraiser may be contacted by the appraisal reviewer, either a lender's or servicer's SAR or VA staff, to discuss the appraisal report. Appraisers are required to respond by the next business day. If a correction or clarification is needed on the appraisal report, a complete, revised appraisal report must be uploaded into WebLGY.

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**g. Oversight** The work of each fee appraiser is subject to quality review. Every appraisal report is desk reviewed by a SAR or VA staff. VA takes appropriate action, up to removal from VA's fee appraiser panel, when appraisers fail to meet VA's expectations for customer service, accuracy, and timeliness.

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## 7. Appraisal Timeliness

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**a. Timeliness Expectations** VA establishes appraisal timeliness requirements based on customary timeframes for comparable conventional appraisals in the geographic area. VA monitors timeliness closely in order to provide service to Veterans that is as fast as or faster than conventional appraisals.

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**b. Access to Property** When ordering appraisals, lenders should provide contact information for the individual who will provide the appraiser with access to the property without having to make any additional calls.

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**c. Website for Timeliness Standards** Timeliness standards are developed by reviewing appraisal completion times in the market area for similar conventional appraisal products. Timeliness standards are available at [http://www.benefits.va.gov/HOMELOANS/appraiser\\_fee\\_schedule.asp](http://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp)

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**d. Prompt Scheduling of Appointment** Appraisers must make contact to schedule an appointment within two business days of receiving an assignment, documenting the activity in WebLGY to help ensure that a mutually convenient appointment is scheduled and the appraisal is completed on time.

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**e. Any Delays Noted in WebLGY** The appraiser must place notes in WebLGY to inform the lender of any delays beyond the appraiser's control in obtaining access to view the interior of the property. A timeliness exception may be allowed when valid extenuating circumstances are documented in WebLGY. Lenders should check WebLGY for updates before contacting appraisers.

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**f. Appraisal Report Completion** If a delay noted in WebLGY extends the completion of the appraisal beyond the timeliness standard, the appraisal report must be uploaded no later than 3 business day after the appointment.

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**g. Additions to Fee Panel** RLCs will add appraisers to the fee panel in areas where it frequently takes longer to obtain a VA appraisal versus a comparable conventional appraisal.

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## 8. Market Data Submitted During the Appraisal Process

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**a. Notification from the Appraiser** During the appraisal process, fee appraisers are required to notify the requester before completing the appraisal when it appears that the estimated market value will be below the sales price. The appraiser will allow 2-business days for the requester, or any parties to the transaction contacted by the requester, to submit any additional sales data that they wish to have considered. This process is known as the “Tidewater Procedure” as VA first piloted this procedure in the Tidewater area of Virginia.

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**b. Comparable Sales Data** For each potential comparable sale submitted, the following information should be provided:

- street address,
- sales price,
- date of sale,
- gross living area,
- if the property was listed, a copy of the listing with details about the property, and
- any other information to assist the appraiser in determining whether the sale could be used as a comparable property. It is the responsibility of the requester to provide sufficient information for the appraiser to analyze.

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**c. Notation in the Appraisal** If market data is submitted, the appraiser will note in the appraisal that this procedure was followed and include the following information:

- street address of each sale submitted,
- whether or not each sale was considered and, if not, the reason, and
- the effect of the data, if any, on the opinion of value.

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## **8. Market Data Submitted During the Appraisal Process,** continued

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**d. No Data  
Submitted**

If no market data is submitted, after 2-business days, the appraiser will note in the appraisal that the Tidewater Procedure was followed and complete the appraisal report.

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**e. Process is  
for Sharing  
Market Data  
Only**

This process is in no way to be considered as instruction to the appraiser to meet any preset value.

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## 9. Properties Eligible for an Appraisal

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**a. Lender's Responsibility** While only an extremely small number of residential properties are not eligible to be the security for a VA-guaranteed loan, it is the lenders responsibility to determine that the property is eligible. If the lender fails to exercise due diligence in determining eligibility, VA may deny or reduce payment on a future claim based on the ineligibility of the property. This topic covers properties that are eligible for an appraisal.

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**b. Existing Construction** Properties that have been complete for over 1 year based on the certificate of occupancy date, and properties that are less than 1-year old that have been previously occupied, are eligible for an appraisal.

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**c. New Construction** Properties that have not been previously occupied and are less than 1-year old based on the certificate of occupancy date, and properties which are complete except for customer preference items (floor coverings, interior finishings, appliances, fixtures or other equipment) are eligible for an appraisal.

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**d. Proposed Construction** Proposed and under construction properties are processed under the same procedures and include:

- properties appraised from plans and specifications (see Topic 12 of this chapter),
- properties appraised from a completed model home (see Topic 13 of this chapter), and
- manufactured homes to be placed on a permanent foundation (see Chapter 12, Topic 42 of this Handbook).

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## 9. Properties Eligible for an Appraisal, continued

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|---|--|
| <b>e. Properties Sold by Lenders</b>                  | Foreclosed or “Real Estate Owned” properties being sold by lenders may be eligible, however, properties must still meet VA MPRs. Lenders selling their own “Real Estate Owned” properties may not process these cases under the Lender Appraisal Processing Program (LAPP). These cases must be ordered and processed as Individual (IND) appraisals. A new construction property for which a lender acquired title due to a builder’s bankruptcy or cessation of business may be eligible (see Topic 20 of this chapter). |
| <b>f. Veteran Building Own Home</b>                   | A fully completed home constructed by a Veteran acting as a general contractor for his/her own occupancy may be eligible (see Topic 18 of this chapter).   |
| <b>g. New Home Without a Warranty</b>                 | A special exception may be granted by VA at the request of a Veteran who is purchasing a newly constructed home from a builder who is unwilling to provide the required construction warranty (see Topic 19 of this chapter).  |
| <b>h. Manufactured Home Classified as Real Estate</b> | Manufactured homes that are classified as real estate may be eligible (see Chapter 12, Topic 41 of this Handbook).   |
| <b>i. Modular Homes</b>                               | Modular homes, including modular on-frame housing, may be eligible (see Chapter 12, Topic 42 of this Handbook).  |
| <b>j. Condominium Units</b>                           | Condominium units are eligible for appraisal. The development must be accepted by VA before the loan is guaranteed (see Chapter 11, Topic 12 of this Handbook).  |

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## 9. Properties Eligible for an Appraisal, continued

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**k. Leaseholds** A leasehold estate or any other property involving less than fee simple ownership is eligible for appraisal, but must be approved by VA before the NOV is issued. VA's legal staff will review the leasehold documents and the RLC will notify the requester of the results of the review. Copies of the following documents must be sent to the RLC in order for the leasehold to be reviewed for acceptability:

- lease identifying the property to be leased, the lessor, the lease term, and the rent,
  - all preceding assignments that may have occurred prior to the current assignment,
  - sales contract, and
  - in cases of age or income restricted leasehold communities, the Veteran-lessee consent statement.
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**l. Properties in PUDs** Properties located in a Planned Unit Development (PUD) are eligible for an appraisal if the lender determines that the title meets the requirements specified in Chapter 16 of this Handbook. VA does not maintain a list of accepted PUDs.

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**m. Property to be Improved** A property to be altered, improved or repaired is eligible for an appraisal with the appraisal prepared "subject to" the satisfactory completion of the work. The appraiser must be provided with construction exhibits, or depending on the nature of the work involved, documentation clearly describing the full extent of all work to be completed. The appraiser will provide an "as repaired" value. Any work that must be inspected upon completion must be approved by the local building authority.

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## 9. Properties Eligible for an Appraisal, continued

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**n. Special  
Flood Hazard  
Areas**

Properties located in a Federal Emergency Management Agency (FEMA) Special Flood Hazard Area (SFHA) are eligible for an appraisal if a flood insurance policy will be issued unless the area is subject to regular flooding (see Chapter 12, Topic 8 of this Handbook).

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**o. Security for  
an Existing  
VA-  
Guaranteed  
Loan**

Properties that are the security for an existing VA-guaranteed loan are eligible for an appraisal for the following purposes:

- An appraisal may be requested for refinancing (see Chapter 6 of this Handbook).
  - If the VA-guaranteed loan is in foreclosure, a liquidation appraisal should be requested at least 30 days prior to the estimated sale date. The servicer should confirm arrangements for interior access to the property before ordering the appraisal and provide contact information for the person who will provide access to the property on the appraisal request (see Chapter 11, Topic 20 of this Handbook).
  - A partial release of security may be needed if the borrower requests to have some of the property released from the VA-guaranteed loan. VA will assign the appraisal as described in Chapter 11, Topic 21 of this Handbook.
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## 10. Properties Not Eligible for an Appraisal

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**a. Determination at Earliest Opportunity** Lenders must determine that a property is not eligible for an appraisal at the earliest possible opportunity. If an appraisal is requested and the appraiser finds that the property is not eligible, the appraiser should stop working on the appraisal and immediately notify the lender.

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**b. Properties Not Eligible for an Appraisal Due to Location** Properties in the following locations are **not** eligible for an appraisal:

- Airport Clear Zone (also known as a Runway Protection Zone), if the property is proposed construction (see Chapter 12, Topic 41 of this Handbook),
- Lava Flow Zones 1 and 2 (see Chapter 12, Topic 10 of this Handbook),
- Coastal Barrier Resources System (CBRS) area (see Chapter 12, Topic 9 of this Handbook),
- Special Flood Hazard Area (SFHA) if flood insurance is not available (see Chapter 12, Topic 8 of this Handbook),
- Area subject to regular flooding, whether or not it has been designated an SFHA (see Chapter 12, Topic 8 of this Handbook),
- Transmission line easement involving high-pressure gas, liquid petroleum (see Chapter 12, Topic 40 of this Handbook) or high voltage electricity if any part of the residential structure is within the easement (see Chapter 12, Topic 39 of this Handbook), and
- Area susceptible to geological or soil instability for new and proposed construction cases unless the builder provides evidence that the site is not affected or the instability has been addressed in the engineering design (see Chapter 12, Topic 7 of this Handbook).

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## 10. Properties Not Eligible for an Appraisal, continued

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### c. Property Types that are Not Eligible for an Appraisal

Properties in the following situations are **not** eligible for an appraisal:

- A property that does not comply with current zoning regulations, however, a “legal non-conforming” use is acceptable and should be described in the appraisal (see Chapter 12, Topic 12 of this Handbook).
  - A property that is primarily non-residential is ineligible for VA loan guaranty (see Chapter 12, Topic 11 of this Handbook).
  - For new and proposed construction cases, if the local building authority routinely performs construction inspections, but none were conducted, the property is ineligible for VA loan guaranty (see Topic 14 of this chapter).
  - Condo-hotel properties (Condotels) where units are placed in a rental pool and “air” condominiums that do not have a homeowners association are not eligible for an appraisal. (see Chapter 11, Topic 12 of this Handbook.)
  - A property is ineligible for an appraisal if any party of interest to the transaction, other than the purchaser, is debarred Government-wide, or excluded from participation in the Loan Guaranty program due to a VA-imposed sanction. Sanctions typically involve construction complaints or unfair marketing practices. Lenders must confirm that builders of properties appraised as new or proposed construction have a valid VA-issued builder ID number to ensure that sanctioned builders do not participate in the VA Home Loan Guaranty program (see Topic 11 of this chapter). If the sanctioned party is a builder, this restriction applies to any property still owned by the builder, including houses under construction and existing houses. VA’s refusal to appraise will not be affected by either the fact that the local building authority approved the work on which the sanction was based, or the builder changes the company’s name or organizational structure or becomes a principal or officer in another organization.
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## 11. Builder Identification Numbers

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|---|---|
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| <b>a. ID Numbers Assigned by State</b>              | VA registers builders and issues identification (ID) numbers. Builders must obtain an ID number for each state where they are building homes for Veterans who are obtaining VA-guaranteed loans.  |
| <b>b. Builder must have ID Before NOV is Issued</b> | For all new and proposed construction properties, with the exceptions of a new construction property sold by a lender or a home built by the Veteran for his/her own occupancy, the builder must have a valid ID number prior to the NOV being issued.  |
| <b>c. Must Meet Licensing Requirements</b>          | The builder must meet any state and/or local licensing requirements.  |
| <b>d. Online List of Registered Builders</b>        | A list of registered VA builders with ID numbers is available at <a href="https://vip.vba.va.gov/portal/VBAH/Home">https://vip.vba.va.gov/portal/VBAH/Home</a> under “Featured Items” in the “Builder Locator.”   |
| <b>e. How to Obtain a Builder ID Number</b>         | Builders who wish to apply for an ID number must send the following four items to the RLC of jurisdiction: <ul style="list-style-type: none"><li>Copy of the builder’s license, if required by a state or local authority.</li><li>VA Form 26-421, <i>Equal Employment Opportunity Certification</i>.</li><li>VA Form 26-8791, <i>VA Affirmative Marketing Certification</i>.</li><li>Builder Information and Certifications for the VA Home Loan Guaranty program submitted on the builder’s letterhead or attached to a statement on the builder’s letterhead which references it. The certification statement and forms are available at: <a href="http://www.benefits.va.gov/HOMELOANS/appraiser_cv_builder_info.asp">http://www.benefits.va.gov/HOMELOANS/appraiser_cv_builder_info.asp</a>.</li></ul> |

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## 12. Proposed Construction Appraisal from Plans and Specifications

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**a.  
Construction Exhibits**

Construction exhibits must be uploaded by the lender into WebLGY the same day the case number is assigned. The exhibits must include:

- survey or plot plan,
  - plans sufficient to allow the appraiser to establish market value,
  - foundation or basement plan,
  - exterior elevations,
  - wall section, and
  - specifications, on either [VA Form 26-1852, Description of Materials](#), [HUD Form 92541](#), or another format that provides essentially the same information in sufficient detail.
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**b.  
Certification of Exhibits**

The appraiser will certify in the appraisal report, “I hereby certify that the information contained in [specific identification for all construction exhibits, (for example, Smith Construction Plan Type A, 9 sheets, [VA Form 26-1852, Description of Materials](#), plot plan by Jones, Inc.)], was used to arrive at the estimate of reasonable value noted in this report.”

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**c. Appraisal Subject to Completion of Construction**

The appraiser will prepare the appraisal report subject to the completion per plans and specifications.

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## 13. Proposed Construction Appraisal from a Model Home

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**a. Notification to Appraiser** When ordering the appraisal, the lender must enter the full legal description of the subject property in the legal description block on the appraisal request form in WebLGY followed by “APPRAISAL FROM MODEL HOME.” This will alert the fee appraiser of the procedure to be followed.

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**b. Model Home Requirements** The model home must be:

- fully completed,
- the same plan type as the subject home (reversed plans are acceptable),
- located in the same market area, and
- readily accessible to the assigned fee appraiser.

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**c. Contact Information for Model Home Access** Contact information for the sales office or an individual who can provide the appraiser with access to the interior of the model home must be provided on the appraisal request.

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**d. Differences between Subject and Model Home** The appraiser must be provided with information concerning any differences in customer preference items, upgrades, or additional features between the model home and the subject property.

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**e. Statement on the Appraisal** In the “Comments” section at the bottom of page 1 of [Fannie Mae Form 1004, 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 \_\_\_\_\_.*”

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*Continued on next page*



### 13. Proposed Construction Appraisal from a Model Home, continued

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**f. NOV  
Requirements**

When issuing the NOV, the SAR must:

- issue the NOV under the guidelines for proposed construction (since the model home was used to illustrate the property instead of plans), and
  - place the following condition in item 16 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.”*
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## 14. Construction Inspections

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**Change Date**

March 11, 2019

- This chapter has been revised in its entirety.
- 

**a. Local Building Inspections**

Many local building authorities have adopted comprehensive residential building codes and perform mandatory inspections at the foundation, framing, and final stages of construction.

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**b. Confirming Local Inspections Performed**

On cases involving new or proposed construction, lenders must confirm whether or not local inspections are performed.

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**c. Purpose of Inspections**

The purpose of the inspections is to ensure that the property:

- is built according to the building codes adopted by the local authority, and
  - has been satisfactorily completed as evidenced by a final construction inspection or certificate of occupancy.
- 

**d. Missed Inspections**

In the event that the local authority provides construction inspections, but none were conducted, the property is ineligible to be the security for a VA-guaranteed loan.

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## 15. Warranty Requirements for New Construction

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**Change Date** March 11, 2019

- This chapter has been revised in its entirety.

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**a. New Construction Warranties** On a new construction property, the Veteran must be provided with:

- a 1-year warranty on [VA Form 26-1859](#), *Warranty of Completion of Construction*, or
- a 10-year, insurance backed warranty.

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**b. Evidence of Construction Completion** Evidence that the new construction property was satisfactorily completed will be documented as follows:

- If the local authority performs foundation, framing and final inspections, VA will accept the certificate of occupancy as evidence of local authority inspections and satisfactory completion of construction in compliance with local building code requirements. If the local authority does not issue a certificate of occupancy, copies of the three satisfactory inspection reports or a written statement from the local authority confirming the three inspections were completed and that the construction was found to be satisfactory will be acceptable.
- If the local authority does not provide construction inspections, the lender must certify that the property is complete (both on-site and off-site improvements), and that it meets VA MPRs for existing construction (see Chapter 12 of this Handbook).

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## 16. Warranty Requirements for Proposed Construction

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**Change Date**

March 11, 2019

- This chapter has been revised in its entirety.
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**a.  
Construction  
Warranty**

On a proposed construction property, the Veteran must be provided with a construction warranty.

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**b. Warranty  
Requirements**

Warranty requirements will be determined by whether or not the local building authority performs construction inspections:

- If the local authority performs foundation, framing and final inspections, VA will accept the certificate of occupancy as evidence of local authority inspections and satisfactory completion of construction in compliance with local building code requirements. If the local authority does not issue a certificate of occupancy, copies of the three satisfactory inspection reports or a written statement from the local authority confirming the three inspections were completed and that the construction was found to be satisfactory will be acceptable. The builder must provide the Veteran with a 1-year warranty on [VA Form 26-1859, \*Warranty of Completion of 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.
  - If the local authority does not provide construction inspections, the builder must provide both a 1-year builder's warranty on [VA Form 26-1859, \*Warranty of Completion of Construction\*](#) and a 10-year insurance backed warranty. The lender must certify that the property is complete (both on-site and off-site improvements), and that it meets VA MPRs for existing construction (see Chapter 12 of this Handbook). 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.
-

## 17. Post Construction Inspection by an Appraiser

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**Change Date** March 11, 2019

- This chapter has been revised in its entirety.

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**a. Inspection by an Appraiser Following Construction** On proposed construction cases, in addition to any local building authority inspections, the lender must have the VA-assigned fee appraiser visit the property and certify that construction substantially complies with the certified construction exhibits upon which the appraisal was based and that the improvements comply with any conditions of the sales contract (for example, landscaping, decking, or fencing).

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**b. Inspection Report Form** The report may be prepared on:

- [Fannie Mae Form 1004D – Freddie Mac Form 442, Part B](#) (Part A is not acceptable for VA use), or
- the appraiser’s letterhead.

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**c. Inspection Report Contents** The report must contain:

- the appraiser’s certification that the completed construction substantially complies with the construction exhibits used in the appraisal,
- front and rear exterior photos, and
- an invoice for the inspection report.

---

**d. Incomplete Construction or Deviations** If the appraiser finds that construction is not complete or that there have been deviations from the plans, the appraiser should provide details in the report and include an invoice as the appraiser may charge a fee for each inspection.

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**e. Uploading the Report** The appraiser must upload the report into WebLGY.

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**f. Contact RLC for Another Appraiser if Needed** When a post-construction inspection is needed and the VA-assigned appraiser is not available, the lender should notify the RLC of jurisdiction to have another appraiser assigned.

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## **18. Veteran Building His/Her Own Home**

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**Change Date**

March 11, 2019

- This chapter has been revised in its entirety.
- 

**a. Veteran Building a Home**

If a Veteran, acting as a general contractor, is building a home for his/her own occupancy, the appraisal must be ordered as “existing” construction.

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**b. No ID Number or Warranty**

A VA builder ID number and a construction warranty are not required.

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**c. Veteran’s Statement**

The lender must obtain the Veteran’s signed acknowledgement that no construction warranty is provided and that VA will not assist with any construction defects.

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## 19. Special Exception for a Veteran Purchasing a New Construction Property Without a Warranty

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**Change Date** March 11, 2019

- This chapter has been revised in its entirety.

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**a. Special Exception for a Property Without a Warranty**

An exception may be made for a Veteran who wishes to purchase a new home from a builder who is not more than occasionally involved with VA financing and will not provide either a 1-year VA builder's warranty or a 10-year insured protection plan. In that situation, all of the following will be required:

- The Veteran purchaser's written acknowledgment that, "I am aware that this property does not qualify for VA assistance with construction complaints, since it was not inspected by VA during construction. I am also aware that this new property will not be covered by either a 1-year VA builder's warranty or a 10-year insured protection plan, as is normally required in this situation."
  - The builder's written certification that, "This company is not more than occasionally involved with VA financing and is aware that this property is being accepted without any VA-required warranty on an exception basis, and only upon the request of the Veteran purchaser. The dwelling was constructed according to standard building practices and is in conformity with all applicable building codes."
  - The lender obtains a copy of documentation issued by the local building authority to verify that construction was acceptably completed, such as a final inspection or certificate of occupancy. Where local authorities do not perform building inspections, the Veteran and builder must certify in writing that "The dwelling was not inspected during construction by any state, county, or local jurisdiction."
- 

**b. Builder ID Number**

The builder must have a VA-issued builder ID number as the exception only applies to the warranty requirement.

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## 20. New Construction Sold by the Lender

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**Change Date** March 11, 2019

- This chapter has been revised in its entirety.

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**a. Appraisal Request** If a lender acquires title to a newly constructed home due to a builder's bankruptcy or cessation of business, the lender must order the appraisal as follows:

- As "existing", not "new", construction, and
  - As "IND", not "LAPP", as properties sold by the lender are not eligible for processing under LAPP.
- 

**b. Documentation Required**

The lender must:

- provide evidence of property ownership,
  - complete any repairs needed for the property to meet VA's MPRs,
  - obtain a certificate of occupancy from the local authority, and
  - obtain the Veteran's signed acknowledgement that "This property is being purchased as existing construction from a lender who acquired this new construction property from the builder. There is no warranty and VA will not provide assistance with any construction defects."
-



## 21. Completed Appraisal Uploaded to WebLGY

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|                                      |   |
|--------------------------------------|---|
| <b>Change Date</b>                   | March 11, 2019 <ul style="list-style-type: none"><li>This chapter has been revised in its entirety.</li></ul>   |
| <b>a. WebLGY</b>                     | Fee appraisers are required to upload completed appraisal reports into WebLGY.  |
| <b>b. Access to an Appraisal</b>     | VA staff, lenders, agents, servicers, and other authorized requesters with VA-issued ID numbers that are associated with the loan number will have access to retrieve the appraisal from WebLGY for review, issuance of the NOV, or other functions.  |
| <b>c. Required Electronic Format</b> | The appraiser must contact the RLC for assistance if an appraisal form is not available in MISMO XML format.  |
| <b>d. Systems Not in Operation</b>   | In the event that an appraiser completes an appraisal on a LAPP or Servicer Appraisal Processing Program (SAPP) case and WebLGY is not available, the appraiser may email the appraisal to the requester and upload the appraisal as soon as WebLGY is available. The appraiser must place a note in WebLGY documenting that this procedure was followed. |

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## **22. Reconsideration of Value**

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**Change Date**

March 11, 2019

- This chapter has been revised in its entirety.
- 

**a. Written Request**

After the NOV has been issued, the Veteran may request reconsideration of value in writing by contacting the RLC of jurisdiction. If the request is submitted to the RLC through the lender, the SAR is encouraged to research market data and provide a recommendation to the RLC with the Veteran's request.

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**b. Market Data**

Providing market data in support of the request, as described in Chapter 10, Topic 8, of this Handbook, is encouraged, but not required. A market data grid is not required.

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**c. Review by VA staff**

Within 5 business days, VA staff will review the appraisal report, additional submitted data, as well as the market data available through VA's AMS. In some cases, VA staff may conduct a field review which will be completed within 20 business days. If VA staff determines that an increase in value is appropriate, VA will issue an amended NOV.

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## 23. Repair Inspections

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**Change Date**

March 11, 2019

- This chapter has been revised in its entirety.
- 

**a. Repair Inspections**

When required on the NOV, repair inspections are completed by appraisers assigned by VA for:

- repairs/alterations/improvements on existing properties,
  - customer preference items on new construction properties, and
  - post-construction inspections on properties appraised as proposed construction to confirm that construction was completed in accordance with the certified construction exhibits upon which the appraised value was based (see Chapter 10, Topic 17 of this Handbook).
- 

**b. Lender Certification Encouraged**

When issuing NOV's for existing or new construction properties, SARs are encouraged to condition the NOV for a lender certification of repairs, especially repairs performed by licensed personnel, instead of an appraiser certification. Repair certifications which may involve lead-based paint must be completed by the fee appraiser.

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**c. Notification to an Appraiser**

When repairs have been completed and are ready for inspection, lenders must notify the appraiser and provide a copy of the NOV as the requirements on the NOV may differ from the recommendations listed on the appraisal (see Chapter 13, Topic 3 of this Handbook).

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**d. Contact RLC for Another Appraiser if Needed**

When a repair inspection is needed and the VA-assigned appraiser is not available, the lender should notify the RLC of jurisdiction to have another appraiser assigned.

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*Continued on next page*

## **23. Repair Inspections**, continued

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### **e. Inspection Report Form**

Appraisers may place the repair inspection report on:

- [Fannie Mae Form 1004D – Freddie Mac Form 442, Part B](#) (Part A is not acceptable for VA use), or
  - the appraiser’s letterhead.
- 

### **f. Inspection Report Requirements**

The repair inspection report must:

- list the items on the NOV,
  - certify that quality materials were used,
  - certify that the items were completed in a satisfactory manner,
  - identify any non-compliant items,
  - include photos of all items,
  - be signed by the appraiser, and
  - uploaded into WebLGY.
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## 24. Appraisal and Repair Inspection Fees

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**Change Date** March 11, 2019

- This chapter has been revised in its entirety.
- 

**a. Based on Fees for Similar Services**

The maximum appraisal and repair inspection fees allowed by VA are based on customary fees for similar services in that vicinity. Regardless of the amount of the maximum fee, appraisers must not charge Veterans more than they charge other clients for similar services. VA will entertain additional fees in unusual circumstances.

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**b. Fees Listed Online**

Appraisal and repair inspection fees can be found at:  
[http://www.benefits.va.gov/HOMELOANS/appraiser\\_fee\\_schedule.asp](http://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp).

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**c. Mileage**

Mileage may be charged in accordance with the RLC's fee schedule. The fee per mile is based upon the GSA mileage rate which can be found at:  
<http://www.gsa.gov>.

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**d. Certification that the Fee will be Paid**

When an appraisal is ordered, the requester must certify in WebLGY that the appraisal fee has been collected and is being held to be paid to the appraiser before the appraisal request will be assigned to an appraiser.

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**e. Fee Must be Paid by the Requester**

Appraisers are not authorized to collect appraisal fees directly from Veterans. Fees must be paid by the requester who placed the appraisal request.

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**f. No "Rush" Fees**

VA expects the highest level of service will be consistently provided to Veterans and their mortgage lenders. No fees for "rush" or "priority" service are acceptable.

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*Continued on next page*

## 24. Appraisal and Repair Inspection Fees, continued

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**g. Appraisal Fee Included on a Claim**

On liquidation appraisals, the servicer may request reimbursement of the appraisal fee that was paid to the appraiser when filing the claim under guaranty. In the event that the borrower requests to pay the full arrearage after the appraisal is performed, the servicer must include the cost of the appraisal in the calculation of the total amount due.

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**h. Complex Properties**

VA fee and timeliness schedules cover fees for typical appraisals. Appraisal assignments that are complex in nature may require additional resources and time. If an assignment is determined to be complex in nature, appraisers may negotiate additional fees with the lender, subject to VA approval. Fee should not exceed what is reasonable and customary for a similar complex property type in the market area.

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## 25. Appraisal Fee Collection Issues

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**Change Date**      March 11, 2019

- This chapter has been revised in its entirety.

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**a. Certification Fee to be Paid**      When an appraisal is ordered, the requester must certify in WebLGY that the appraisal fee has been collected and is being held to be paid to the appraiser.

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**b. Timely Payment of the Fee**      VA expects requesters to pay the appraiser within 30 to 45 days after the NOV is issued or it is determined by VA that an NOV will not be issued.

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**c. RLC Assistance Collecting Overdue Fees**      Appraisers may notify the RLC of jurisdiction about ongoing, documented issues collecting fees. The RLC may contact the requester to resolve the issue. In the event that the requester fails to pay the appraisal fee, the RLC may require advance payment from the requester on future appraisals.

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**d. VA Authorization of Advance Fees**      Appraisers may not require advance payment from requesters or charge late fees unless approved in writing by VA.

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## 26. Request from the Veteran to Change Lenders

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**Change Date** March 11, 2019

- This chapter has been revised in its entirety.

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**a. Lender Responsibilities** Lenders are expected to cooperate when a Veteran decides to change lenders. The lender who ordered the appraisal must transfer the case to the new lender when requested by the Veteran in writing (including email). An appraisal report and case number may be transferred to another LAPP lender in WebLGY by a SAR of the original lender. The new lender should provide to the Veteran, their email address, phone number, and VA Lender ID number to be included in the Veteran's letter to the original lender.

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**b. New Lender Must Issue the NOV** An NOV issued by a SAR is not transferable to another lender. The new lender's SAR must review the appraisal and issue a new NOV to the Veteran.

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**c. Lender Not Approved for LAPP** If the new lender does not participate in LAPP, the Veteran's request to change lenders must be submitted to the RLC of jurisdiction. The RLC will issue the NOV.

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## 27. Natural Disaster during the Appraisal Process

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**Change Date** March 11, 2019

- This chapter has been revised in its entirety.
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**a. Declarations Listed Online** Lenders are required to check the FEMA website at [www.fema.gov/disasters](http://www.fema.gov/disasters) for the specific lists of counties and disaster declaration dates. Disaster information is also provided on the VA Home Loan website at <https://www.benefits.va.gov/HOMELOANS/>, as applicable.

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**b. Appraisal Not Completed Before the Disaster** If the appraisal had been ordered, but the appraiser had not yet visited the property before the date of the disaster, the appraiser will complete the appraisal as usual, subject to any MPR repairs. No additional documentation is needed.

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**c. Appraisal Completed - Loan Not Closed Before Disaster** If the property was appraised on or before the date of the declared disaster and not closed prior to that date, the following items must be submitted with the VA guaranty request:

1. Lender's signed and dated certification that *"This is to affirm that the property which is security for VA loan number \_\_\_\_\_ has been inspected to ensure that it was either not damaged in the recently declared disaster or has been restored to its pre-disaster condition or better."*
  2. Veteran's signed and dated certification that *"I have inspected the property located at \_\_\_\_\_ and find its condition now to be acceptable to me. I understand that I will not be charged for any disaster-related expenses and now wish to close the loan."*
- 

**d. Decrease in Value After Disaster** If there is an indication that the property value may have declined due to the disaster, despite the completion of repairs, the lender must have the VA-assigned appraiser perform a new appraisal. The payment of the appraiser's fee for this service will be a contractual matter between the buyer and seller.

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## 28. Title Limitations

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**Change Date**      March 11, 2019

- This chapter has been revised in its entirety.

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**a. Lender Responsibilities**      If the lender determines that a title limitation or condition discovered prior to loan closing may affect eligibility, the lender must contact the appraiser to determine if the property is still eligible to become the security for a VA-guaranteed loan. If the condition was discovered after the effective date of the appraisal, the appraiser may consider this a new assignment and an additional fee may be charged to the Veteran.

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**b. VA Processing Procedures**      If VA becomes aware of limitations or conditions which were not considered in the appraisal report or covered by [38 CFR 36.4354](#), the RLC of jurisdiction will:

- contact the fee appraiser if additional information is needed to determine the effect of the limitation or condition on the value estimate,
- consider the impact of the condition or limitation on the reasonable value of the property,
- describe the condition or limitation in WebLGY notes, and
- issue an amended NOV, if appropriate.

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## Appendix 1. Steps for Requesting an Appraisal

| Step | Action   |
|------|--|
| 1    | Obtain a user ID and password for the Veterans Information Portal (VIP) (see Chapter 10, Topic 2 of this Handbook)   |
| 2    | Ensure that the property is eligible for an appraisal. Contact the RLC with any questions about property eligibility or if the property is not eligible, but is already the security for a VA loan   |
| 3    | Request for Certificate of Eligibility (COE)   |
| 4    | Log on to VIP and select WebLGY > Request Appraisal > Select Appraisal Type  |
| 5    | Input all requested information to generate <a href="#">VA Form 26-1805-1</a> , <i>VA Request for Determination of Reasonable Value</i>  |
| 6    | To avoid a delay for the Veteran, provide a complete legal description and ensure that the Point of Contact's (POC) information is correct and that the POC can provide access to the property for the appraiser without any additional calls  |
| 7    | WebLGY will: <ul style="list-style-type: none"> <li>- assign a case number (in liquidation cases, this will be the existing VA loan number for the property that must be provided by the requester)</li> <li>- assign an appraiser (since VA is required by law to select the fee appraiser on a rotational basis from a panel maintained by VA)</li> <li>-generate a completed <a href="#">VA Form 26-1805-1</a>, <i>VA Request for Determination of Reasonable Value</i></li> <li>-e-mail the assignment to the VA-assigned fee appraiser</li> </ul> |

*Continued on next page*

## Appendix 1. Steps for Requesting an Appraisal, continued

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| Step | Action   |
|------|--|
| 8    | If the Veteran is purchasing a home, the same day the assignment is made, the requester must upload a copy of the sales contract and any construction exhibits into WebLGY. VA highly recommends the use of reduced-size construction drawings to save copying, mailing, and storage costs for all parties involved. Building plans, elevations and details, traditionally drawn at ¼ inch scale and larger, can be photographically reduced or computer-drawn to be clearly readable on 8½ by 14-inch pages. Other exhibits normally provided in an 8½ by 11-inch format (such as specifications, certifications, etc.) must not be further reduced. VA does not accept 11 by 17-inch pages as this size is not compatible with scanning equipment generally available to program participants. |
| 9    | For all appraisal types, if the legal description is lengthy and does not fit in the legal description block on the appraisal request, a copy of the complete legal description must be uploaded into WebLGY the same day the assignment is made.  |
| 10   | In most cases, the appraisal will be assigned instantly. If an appraiser is not assigned by WebLGY, please notify the RLC of jurisdiction. Requesters must not re-enter the information as a duplicate appraisal request will be generated.  |

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**RLC Contact Information**    [http://www.benefits.va.gov/HOMELOANS/contact\\_cv.asp](http://www.benefits.va.gov/HOMELOANS/contact_cv.asp) or  
[http://www.benefits.va.gov/HOMELOANS/contact\\_rlc\\_info.asp](http://www.benefits.va.gov/HOMELOANS/contact_rlc_info.asp)

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