



# LENDERS HANDBOOK

[VA-Pamphlet 26-7]

## CHAPTER 18

### SERVICER APPRAISAL PROCESSING PROGRAM (SAPP)





## Chapter 18. Servicer Appraisal Processing Program (SAPP)

### Overview

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## 1. Purpose and Eligibility Requirements

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### a. Purpose of SAPP

Servicers of Department of Veterans Affairs (VA) guaranteed loans may be granted authority, under Servicer Appraisal Processing Program (SAPP), to review liquidation appraisals, and issue the Notice of Value (NOV) without VA involvement. The servicer exercises its SAPP authority through an employee who is VA-approved as a SAPP Staff Appraisal Reviewer (SAR). Once a SAR has satisfied the SAPP training and initial case review requirements (see section 3 of this chapter), their SAPP authority may be used for eligible properties (those secured by VA-guaranteed loans) in any location within the United States and its territories. The purpose of SAPP is to reduce the time required for servicers of VA loans to receive the NOV.

**Important:** It is the SAR's responsibility to stay informed about any local VA processing requirements unique to the VA jurisdiction in which a property is located.

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### b. Servicer Eligibility Requirements

To be granted SAPP authority, the servicer must have:

- a VA servicer identification number (ID),
- an association with a single lender having a VA lender ID, and
- an effective quality control (QC) system that ensures the adequacy and quality of its SARs. (See section 6 of this chapter.)

**Note:** Under SAPP, a servicer may only have an association with a single lender.

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### c. SAR Eligibility Requirements

The servicer exercises its SAPP authority through an employee who is a VA-approved SAR. A SAR must:

- be a full-time salaried employee of the lender/servicer, and
  - have at least three years of work experience that qualifies him or her to competently perform administrative appraisal reviews.
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## 1. Purpose and Eligibility Requirements, Continued

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### c. SAR Eligibility Requirements (continued)

The SAR's work experience must indicate that he or she has:

- general knowledge of the principles, methods, practices, and techniques of appraising and the ability to apply that knowledge,
- the ability to review the work of others and recognize deviations from accepted appraisal principles and practices,
- the ability to detect errors in computations, and
- the ability to detect conclusions that are not supported.

It is also desirable for the SAR to have knowledge of general realty practices and principles related to real property valuation, skill in collecting and assembling data, and the ability to prepare clear and concise reports.

**Note:** Three years experience related to the Housing and Urban Development (HUD) Direct Endorsement (DE) program satisfies the experience requirement, provided all other application requirements are satisfied.

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### d. SAR Conflicts of Interest

There must be no conflict of interest between the SAR's role and any other activities that he or she conducts. Examples of other activities that would constitute a conflict of interest include, but are not limited to:

- the SAR being on the VA fee appraisal panel, or
  - the SAR being employed by or performing appraisal review services for another lender/servicer.
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## 2. Applying for Authority

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**a. Application and Fees**

The nominating senior officer of the servicer and the nominee must jointly complete the Staff Appraisal Reviewer (SAR) application.

SAR applicants must attach a resume showing they possess the three years requisite experience outlined in section 1 of this chapter.

A \$100 processing fee must accompany the application package.

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**b. Notification of VA Decision**

Department of Veterans Affairs (VA) Central Office will review the application and send a letter of preliminary approval or rejection. In some cases, VA will need to request additional information from both the nominee and the senior officer in order to make a determination.

Receipt of a letter of preliminary approval will authorize the nominee to schedule Servicer Appraisal Processing Program (SAPP) SAR training.

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**c. SAR ID Number**

VA will issue a permanent identification (ID) number for each SAR approved. The SAR always retains the same ID number, even when employed by a different servicer.

When a SAR already has a Lender Appraisal Processing Program (LAPP) SAR ID number, the number will also be used as the SAPP SAR ID.

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**d. SAR Employed By New Servicer**

If a SAR begins work for a new servicer, the SAR's SAPP authority automatically ceases and does not transfer to the new servicer. To reinstate the SAR's SAPP authority, the new servicer employer must promptly submit to VA:

- a new SAPP application, and
- a \$100 processing fee.

The servicer may request a waiver for the training and case review requirements for that SAR by including:

- the SAR's VA-issued ID number on the application, and
  - a statement that the SAR has processed SAPP cases within the last year.
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### 3. Training and Initial Test Case Reviews

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**a. Requirements** Staff Appraisal Reviewers (SARs) with preliminary approval may not independently review liquidation appraisal reports and issue liquidation Notice of Values (NOVs), without the involvement of Department of Veterans Affairs (VA), until they receive final approval. To obtain final approval, the SAR must complete the following:

- attend Servicer Appraisal Processing Program (SAPP) SAR training, and
- successfully complete five initial test cases to demonstrate comprehension of VA liquidation appraisal review requirements to VA’s satisfaction.

VA Central Office staff will provide SAPP SAR training at the request of the servicer and VA Regional Loan Center (RLC) staff will conduct the initial test case reviews.

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**b. Test Case Procedures**

Upon completion of SAR training, SARs may begin submitting their test cases in The Appraisal System (TAS) for VA review. Only one test case should be pending at any time; SARs should not submit an additional test case until the results of a previously submitted test case are known. RLC staff will notify the SAR about the results of the review. The RLC staff performing the review of test cases must complete the liquidation appraisal review and issue the NOV within five workdays from the date the case is submitted by the SAR.

The following table outlines the steps for processing SAPP SAR test cases. Please note that these are the same steps for processing any SAPP cases, except for the requirement of VA involvement.

| Step | Description  |
|------|--|
| 1    | SAR accesses the VA E-Appraisal application in the Veterans Information Portal (VIP or Portal) and retrieves a SAPP appraisal. (Only SAPP appraisals associated with the SAR’s company may be retrieved.)  |
| 2    | SAR reviews the appraisal report for completeness and conformity with industry-accepted appraisal practices and techniques, and for compliance with applicable VA directives and general and liquidation appraisal requirements in <a href="#">chapter 11</a> .<br><br>The SAR must resolve any concerns with the appraiser. (Report any contact with the appraiser and the results in “Processing Notes” when issuing the NOV.) |

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### 3. Training and Initial Test Case Reviews, Continued

#### b. Test Case Procedures (continued)

| Step | Description  |
|------|--|
| 3    | SAR determines the as-is value of the property, which must be supported by the reviewed appraisal report. (Make entries in “Processing Notes” to clarify or justify actions that are not self-explanatory.)  |
| 4    | SAR accesses TAS in VIP, selects “Issue Liquidation NOV,” and inputs the required data to generate an NOV. (TAS will not allow SARs with preliminary approval to issue NOVs; they may only be saved as NOV test cases awaiting review by the RLC. (Upon receipt of SAR final approval, TAS will allow issuance of the NOV without VA involvement.)<br><br><i>Note:</i> The SAR must notify the RLC of jurisdiction when a test case has been submitted in TAS. |
| 5    | VA RLC staff will review the following for all test cases and a percentage of subsequent cases: <ul style="list-style-type: none"> <li>• appraisal report,</li> <li>• any related documents,</li> <li>• the saved test case NOV, and</li> <li>• processing notes, for any contacts with the appraiser, processing delays and clarification and/or justification of processing actions.</li> </ul>  |
| 6    | VA staff will issue the NOV. The SAR will be notified of the result(s) of the VA test case review and the SAR’s performance file will be documented.   |

#### c. Continuing Education by VA

As needed, VA will notify SAPP SARs of supplemental training opportunities or additional training requirements.

## 4. Servicer Responsibilities

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### a. SAPP Privilege

Servicer Appraisal Processing Program (SAPP) authority is a privilege delegated to servicers at VA's discretion. Servicers maintain this privilege by complying with all applicable SAPP-related requirements, including:

- Department of Veterans Affairs (VA) policies and procedures,
- VA regulations, and
- statutory requirements.

Furthermore, servicers are expected to exercise due diligence in processing SAPP cases. VA considers due diligence to be care that is properly expected from, and ordinarily exercised by, a reasonable and prudent servicer that is entirely dependent on the subject property as a security to protect its investment.

If VA finds proper cause, the privilege extended to servicers under SAPP may be:

- amended,
- suspended, or
- withdrawn.

**Reference:** For more information, refer to [chapter 17](#).

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### b. Servicer and SAR Changes

The servicer must notify VA Central Office if:

- there is a change in ownership, merger, or acquisition, or
  - a SAR is no longer employed or is no longer functioning as a SAR for the servicer. (In such cases, the SAR's SAPP authority automatically ceases and the servicer's eligibility to participate in SAPP is terminated if that individual was the servicer's only SAR on staff.)
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## 5. Processing Procedures

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**a. Property Eligibility** The subject property must be secured by a Department of Veterans Affairs (VA) guaranteed loan that is proceeding toward liquidation.

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**b. Appraisal Request** Servicers will request the appraisal in The Appraisal System (TAS) by completing [VA Form 26-1805](#), VA Request for Determination of Reasonable Value. TAS will automatically notify the assigned appraiser via e-mail when the liquidation appraisal assignment is made.

Servicers may authorize parties to order appraisals on their behalf (i.e., law firms). Those parties must register in the Veterans Information Portal (VIP) under their own name as an “Other Requestor.”

| <b>If the agent...</b>   | <b>Then...</b>  |
|--|---|
| is acting on behalf of an approved Servicer Appraisal Processing Program (SAPP) servicer and is authorized by that servicer, | he or she may request VA SAPP appraisals.   |
| requests an appraisal,   | he or she must use his or her own log-in identification (ID) to request appraisals. An appraisal cannot be requested unless the sponsoring servicer is known at the time of the request.<br><br><i>Note:</i> In requesting an appraisal, the authorized agent is making the required certifications on behalf of the sponsoring servicer. |
| receives notification the completed liquidation appraisal report has been uploaded in E-Appraisal,                           | he or she must notify the sponsoring servicer or their Staff Appraisal Reviewer (SAR) that the appraisal was uploaded in E-Appraisal.   |

**Note:** When making the request, be sure to provide accurate information on the location of the keys to a vacant property in item 24 of [VA Form 26-1805](#), VA Request for Determination of Reasonable Value, as well as the telephone number of the party requesting the liquidation appraisal in item 40. This may require additional instructions from servicers when referring cases to foreclosing attorneys, if the attorneys are the parties ordering the liquidation appraisals.

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## **5. Processing Procedures, Continued**

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**c. Access to Property by Appraiser**

VA requires fee appraisers to gain access to vacant properties when performing VA liquidation appraisals in order to determine accurate values. If the fee appraiser is unable to gain access to a vacant property, the appraiser should use the contact information provided in item 40 of [VA Form 26-1805](#), VA Request for Determination of Reasonable Value. Servicers' timely responses to any telephone inquiries help to limit delays in completion of appraisals for those cases where an appraiser encounters problems accessing the vacant property.

If the appraiser still cannot gain access, he or she must document the actions taken to obtain access to the subject vacant property in an e-mail to the Construction & Valuation (C&V) section of jurisdiction. C&V will then forward the appraiser's email to the Regional Loan Center's Loan Administration Officer, who will forward it to the appropriate servicer personnel.

Time delays caused by an appraiser's inability to access a property can result in postponed liquidation sales. Because such delays are beyond the control of the appraiser, C&V "stops the clock" on the appraiser's timeliness requirements until access is obtained. However, in most cases, VA does not view delays as beyond the control of the servicer, and therefore the servicer may suffer curtailment of interest on the loan if a sale cannot be completed timely due to delays in the appraiser obtaining access to a property.

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**d. Liquidation Appraisal Requirements**

For details about VA liquidation appraisal requirements, see section 13 of [chapter 11](#).

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**e. Submitting Cases to VA for Processing**

If a SAR is reluctant to issue the Notice of Value (NOV) due to the difficulty or complexity of the case, the SAR may request that the VA Regional Loan Center (RLC) of jurisdiction issue the NOV.

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## 6. Servicer Quality Control System Requirements

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**a. Introduction** To qualify for Servicer Appraisal Processing Program (SAPP) authority, the servicer must have an effective quality control (QC) system that ensures the adequacy and quality of its staff appraisal reviews. This QC system must be independent of the servicer's loan servicing operation.

Upon request, the servicer must agree to furnish Department of Veterans Affairs (VA) with findings and information about the system. The senior officer must certify on each Staff Appraisal Reviewer (SAR) application that the QC system meets the requirements detailed in this section.

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**b. QC Reviewers** Reviews of the SAR's work may be performed by an independent party or independent internal audit division that reports directly to the servicer's chief executive officer. QC personnel should possess:

- a basic familiarity with appraisal theory and techniques, and
  - the ability to prescribe appropriate corrective actions when problems in the appraisal review process are identified.
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**c. Frequency and Scope of Reviews** Perform desk reviews of each SAR's appraisal reviews on a monthly basis. The sample size should be no less than:

- five percent of the SAR's SAPP cases processed monthly, or
- a minimum number of cases per month (for example, five cases).

There must be a procedure for expanding the scope of the reviews if a pattern of deficiencies is identified.

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**d. QC Review Criteria** QC reviews should consider:

- the overall quality of the SAR's appraisal review, and
  - the appropriateness of the reasonable value determination.
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**e. Maintenance of VA Publications** The QC system must provide assurance that all current VA regulations, directives, and other releases are maintained and immediately available to the QC personnel and SARs.

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## 6. Servicer Quality Control System Requirements, Continued

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### **f. Management Notification and Corrective Action**

The QC system must provide for written notification of deficiencies cited as a result of audits on quarterly reviews to:

- the servicer's senior management, or
- the chief executive officer.

The QC system must require senior management to:

- promptly initiate and document actions to correct deficiencies, and
  - provide SARs with corrective instructions.
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### **g. Review of VA Fee Panel Appraisals**

In addition to reviews of the SAR's work, random field reviews of VA fee panel appraisals should be performed. These reviews can be done by:

- the SAR, or
- an independent appraiser on a contract basis.

**Note:** Any substantive negative findings should be formally reported to the VA Regional Loan Center (RLC) where the appraiser is a member of the fee panel.

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