VA Lenders Handbook (VA Pamphlet 26-7), Chapter 10, Topic 9 — Properties Eligible for an Appraisal

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9. Properties Eligible for an Appraisal Change Date March 11, 2019 • This chapter has been revised in its entirety. 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. 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. 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. 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). Continued on next page VA Pamphlet 26-7, Revised Chapter 10: Appraisal Process 10-16 9. Properties Eligible for an Appraisal, continued e. Properties Sold by Lenders 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). f. Veteran Building Own Home 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). g. New Home Without a Warranty 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). h. Manufactured Home Classified as Real Estate Manufactured homes that are classified as real estate may be eligible (see Chapter 12, Topic 41 of this Handbook). i. Modular Homes Modular homes, including modular on-frame housing, may be eligible (see Chapter 12, Topic 42 of this Handbook). j. Condominium Units 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). Continued on next page VA Pamphlet 26-7, Revised Chapter 10: Appraisal Process 10-17 9. Properties Eligible for an Appraisal, continued 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. 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. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 10: Appraisal Process 10-18 9. Properties Eligible for an Appraisal, continued 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). 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. VA Pamphlet 26-7, Revised Chapter 10: Appraisal Process 10-19

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