VA Lenders Handbook (VA Pamphlet 26-7), Chapter 10, Topic 10 — Properties Not Eligible for an Appraisal

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10. Properties Not Eligible for an Appraisal Change Date March 11, 2019 • This chapter has been revised in its entirety. 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. 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). Continued on next page VA Pamphlet 26-7, Revised Chapter 10: Appraisal Process 10-20 10. Properties Not Eligible for an Appraisal, continued 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. VA Pamphlet 26-7, Revised Chapter 10: Appraisal Process 10-21

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