VA Lenders Handbook (VA Pamphlet 26-7), Chapter 13, Topic 8 — Notice of Value Conditions

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8. Notice of Value Conditions Change Date July 22, 2019 • This chapter has been revised in its entirety. a. NOV Conditions All conditions included on an NOV must be satisfied prior to guaranty of the loan by VA. b. Additional Lender Requirements While lenders may require additional documentation over and above VA requirements, often referred to as “lender overlays”, items that are not required by VA must not be included on the NOV. c. Table of NOV Conditions The following table lists the conditions that appear on the NOV form with details about when each condition is required on the NOV. The NOV letter format is provided in Appendix A at the end of this chapter. Continued on next page VA Pamphlet 26-7, Revised Chapter 13: Notices of Value 13-12 8. Notice of Value Conditions, continued c. Table of NOV Conditions, continued NOV Condition Details for including this condition on an NOV 1. Energy Conservation Item 1a should be marked on NOVs for existing properties (over 1-year old or previously occupied) to allow lenders to increase the loan amount for Veterans wishing to make energy efficiency improvements (see Chapter 7 of this Handbook). Item 1b should be marked on NOVs for new or proposed construction excluding manufactured homes. For new and proposed manufactured homes, energy efficiency is already covered by the manufacturer’s guidelines (see Chapter 12, Topic 42 of this Handbook) so this item should not be marked. 2. Wood Destroying Insect Information If the property is located in an area on the Termite Infestation Probability Map where the probability of termite infestation is "very heavy" or "moderate to heavy," a wood destroying insect inspection report must be required on the Notice of Value (NOV). Mark 2a if the property is existing or new construction, or item 2b if the property is proposed. For new construction, if a soil treatment guarantee is provided, this is preferable and will satisfy condition 2a. The pest control operator must meet all state requirements. State-required inspection forms are acceptable. Inspection reports are valid for 90 days. Soil treatment guarantees differ from an inspection and are consequently valid well beyond 90 days. A wood- destroying insect inspection is not required on units in low-rise or high-rise condominiums (units are stacked vertically) unless the appraiser notes a potential infestation problem. For site condominiums, and villa or townhome style condominiums where units are not vertically stacked, an inspection must be required on the NOV unless evidence of a treatment guarantee has been provided by the homeowners association. Continued on next page VA Pamphlet 26-7, Revised Chapter 13: Notices of Value 13-13 8. Notice of Value Conditions, continued c. Table of NOV Conditions, continued NOV Condition Details for including this condition on an NOV 3. Lien-Supported Assessment If the property is located in a planned unit development (PUD) or condominium, mandatory homeowners association fees must be shown on the NOV. Special assessments including local authorities collecting Community Development District (CDD) fees or other fees on the HOA’s behalf should be reported here as well. 4. Condominium If the condominium is conditionally accepted by VA, this item should be marked. This item is not required if the condominium is fully accepted by VA. If the condominium has not been accepted by VA, the NOV must not be issued. (See Chapter 11, Topic 12 of this Handbook). 5. Private

Road/Shared Driveway If access to the property is by a private road or shared driveway, this item should be marked, unless the property is in a PUD or condominium with private streets which are covered by the organizational documents. If a state law establishes requirements for the maintenance of private roads, this condition is not needed on the NOV. 6. Flood Insurance If the property is located in a Special Flood Hazard Area, this item must be marked. It is the lender's responsibility to ensure that flood insurance is obtained and maintained on properties located in SFHAs, whether or not the appraiser correctly identifies the property as being in an SFHA. If flood insurance is not available, a property in a SFHA is not eligible to be the security for a VA-guaranteed loan. 7. Water/Sewage System Acceptability If the property has an individual water supply, such as a well, this condition must be marked. For proposed construction cases, acceptance of an individual sewage system must be required. Acceptance of the sewage system is also required for existing or new construction cases in which there is an indication of a problem or the property is in an area known to have soil percolation problems. Certifications are valid for 90 days unless the local authority indicates otherwise. Continued on next page VA Pamphlet 26-7, Revised Chapter 13: Notices of Value 13-14 8. Notice of Value Conditions, continued c. Table of NOV Conditions, continued NOV Condition Details for including this condition on an NOV 8. Connection to Public Water and/or Public Sewer This condition is required only if the property does not have public water and/or sewer and the state or local authority has mandated connection to public utilities.

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