VA Lender Handbook M26-7 Chapter 15 — Lender Appraisal Processing Program (LAPP)

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VA Pamphlet 26-7 Chapter 15 governs the Lender Appraisal Processing Program (LAPP).

7 verbatim provision(s). Each quote is a verified substring of the regulator-published source snapshot, not retyped.

VA Lender Handbook M26-7 Chapter 15 § 15.01

15.01 LAPP Eligibility

• This section has been updated to add subsection lettering and to make minor grammatical edits.

a. Lender
VA may grant Lender Appraisal Processing Program (LAPP) authority to any automatic lender that requests it and meets the qualification criteria outlined in this chapter, including the Lender Quality Control System Requirements.

b. Role of Staff
Appraisal
Reviewer
The lender exercises its LAPP authority through an employee who is a VAapproved staff appraisal reviewer (SAR).

c. SAR
A lender's staff appraisal SAR must:
• be a full-time salaried employee of the lender, and
• have at least 3 years of work experience which qualifies him or her to competently perform administrative appraisals reviews in conjunction with underwriting loans for VA loan guaranty purposes.

d. SAR's Work
Experience
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
• ability to detect conclusions which 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
• ability to prepare clear and concise reports.

Note: Three years of experience related to the HUD Direct Endorsement program satisfies the experience requirement provided all other application requirements are satisfied.

Source: VA Lender Handbook M26-7 Chapter 15 — Lender Appraisal Processing Program (LAPP) · snapshot 395d300ba1883750

VA Lender Handbook M26-7 Chapter 15 § 15.02

15.02 Lender Quality Control System Requirements

a. Introduction
To qualify for LAPP authority, the lender must have an effective quality control (QC) system which ensures the adequacy and quality of its staff appraisal reviews. This QC system must be independent of the lender's loan production operation.

Upon request, the lender must agree to furnish VA with findings and information about the system. The senior officer must certify on each SAR's Lender's Staff Appraisal Reviewer Application (SAR) Application, VA Form 26-0785, that the QC system meets the requirements detailed in this section.

b. QC
Reviewers
Reviews of the SARs' work may be performed by an independent party or independent internal audit division which reports directly to the lender'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.

c. Frequency
and Scope of
Perform desk reviews of each SAR's appraisal reviews on a routine basis (monthly or quarterly). The sample size should be no less than 5 percent of the SAR's LAPP cases processed monthly or a minimum number of cases (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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VA Lender Handbook M26-7 Chapter 15 § 15.03

15.03 Applying for LAPP Authority

a. Application
and Fees
Submit a separate Lender's Staff Appraisal Reviewer Application (SAR) Application, VA Form 26-0785, and fee for each SAR approval request to the VA regional office with jurisdiction over the SAR's physical location.

Legitimate requests to submit the application to a VA office more conveniently located for training and other interactions between the SAR and VA will be considered.

For each SAR approval request, include a $100 processing fee plus the information, statements and certifications exactly as detailed on the application, either on lender letterhead or attached to a statement on lender letterhead which references it.

The same procedure applies to subsequent requests for VA approval of additional SARs.

b. Notification
of VA Decision
The VA regional office will review the application materials submitted and notify the lender of its decision as quickly as possible.

If VA determines that the SAR meets basic LAPP qualification requirements, it will inform the lender that the SAR must fulfill the SAR Training and Initial Case Review requirements detailed in this chapter.

c. SAR ID
Number
The notice from VA will provide a permanent ID number for each SAR approved. The SAR always retains the same ID number, even if he or she goes to work for another lender and is approved as a SAR for that lender.

Source: VA Lender Handbook M26-7 Chapter 15 — Lender Appraisal Processing Program (LAPP) · snapshot 395d300ba1883750

VA Lender Handbook M26-7 Chapter 15 § 15.05

15.05 Changes in SAR’s Employment of Lender’s Status

• Subsection b has been changed to add language to the required statement lenders must submit.

a. SAR No
Longer
Employed or
Performing
SAR Work
The lender must promptly notify VA if the Staff Appraisal Reviewer is no longer employed or is no longer functioning as an SAR for the lender.

If either of these two apply, the SAR’s LAPP authority automatically ceases and the lender’s eligibility to participate in LAPP is terminated if that individual was the lender’s only SAR.

b. SAR
Employed By
New Lender
If the SAR begins work for a new lender, that lender must promptly submit to VA a new VA Form 26-0785, Lenders Staff Appraisal Reviewer Application, and $100 processing fee.

The lender may request a waiver of the training and case review requirements for that SAR by including a copy of VA’s notice that the SAR has satisfied those requirements and a statement that the SAR processed LAPP cases and issued NOVs within the last year.

c. Lender
Changes
The lender must notify VA any time there is a

• change in ownership,
• merger, or
• acquisition.

Reference: See Chapter 1, Section 9 for a description of the information VA needs from the lender to continue its LAPP authority.

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VA Lender Handbook M26-7 Chapter 15 § 15.06

15.06 Lender Responsibilities Under LAPP

a. Due
Diligence
Lenders are expected to exercise due diligence in processing LAPP cases and are responsible for complying with all applicable:

- VA policies and procedures,
- VA regulations, and
- statutory requirements.

VA considers due diligence to be care which is properly expected from, and ordinarily exercised by, a reasonable and prudent lender who is entirely dependent on the subject property as a security to protect their investment.

b. What LAPP
Lenders Can
Expect
In assuming the responsibilities involved with processing an appraisal under LAPP and subsequently underwriting the VA loan on the automatic basis, the lender has reasonable certainty that the VA Form 26-1899, Loan Guaranty Certificate, will be issued by VA, except in cases of fraud or willful material misrepresentation by the lender.

Reference: See Chapter 17, Section 4.

c. LAPP
Privilege
LAPP authority is a privilege delegated to lenders at VA's discretion.
Lenders maintain this privilege by complying with all applicable LAPPrelated requirements.

If VA finds proper cause, the privilege extended to lenders under LAPP may be:

- amended,
- suspended, or
- withdrawn.

Reference: For more information, refer to Chapter 17.

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VA Lender Handbook M26-7 Chapter 15 § 15.07

15.07 LAPP Processing Procedures

a. Property
Eligibility and
Appraisal
Requests
The appraisal of any property eligible to be the security for a VA loan can be processed under LAPP except:

• master appraisals,
• foreclosure appraisals,
• those involving partial release of VA loan security, and
• those involving HUD value determinations.

Reference: For details regarding the eligibility of property for appraisal for VA purposes, as well as VA appraisal request instructions, see Chapter 10.

b. Appraisal
For details about VA appraisal requirements, see Chapter 11.

c. Appraisal
For details about requirements for reviewing appraisals and issuing notices of value for VA purposes, see Chapter 13.

d. Submitting
Cases to VA for
Processing
An appraisal which the lender chooses not to process under LAPP can be submitted to the VA office of jurisdiction for VA staff to review and issue an NOV. The submission must include the SAR's draft NOV letter to the veteran and all of the appraisal documentation required per Appraisal Report Contents in Chapter 11. All other VA requirements for a case submitted on the prior approval basis by an automatic lender must also be met.

Reference: See Chapter 5, Section 4.

Note: Every property eligible for the LAPP should be processed under LAPP. If a LAPP lender fails to process an eligible property under LAPP, the request for VA guaranty must include a detailed explanation.

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VA Lender Handbook M26-7 Chapter 15 § 15.08

15.08 Affiliates and Agents

a. Affiliates
Unless approved by VA, lenders are not authorized to use LAPP for any:

- builder,
- land developer,
- real estate broker, or
- other entity which they own or have a financial interest in or are otherwise affiliated with.

This restriction may not apply if

- the only relationship between the lender and a builder is a construction loan, or
- the lender can provide a formal corporate agreement or other documentation which demonstrates to VA's satisfaction that the lender and builder, or other affiliate, are essentially separate entities operating independently from one another, free of all cross-influences.

The lender's quality control plan must specifically address the insulation of the fee appraiser, appraisal reviewer, and the underwriter from the influence of the affiliate.

Reference: Chapter 1, Section 7.

b. Lender/
Agent
Relationship
Agents can be involved in LAPP processing only when the sponsoring (funding) lender has an established ongoing agency relationship with the agent, as evidenced by a corporate resolution accepted by VA.

Reference: Chapter 1, Section 8.

Corporate Resolution
The corporate resolution must provide that the sponsoring lender accept full responsibility for the actions of its agents. Additionally, the sponsoring

lender is responsible for assuring that the agent is appropriately trained and knowledgeable about VA appraisal assignment procedures and the restrictions on their role in LAPP.

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