

Subject: Veterans Affairs
Appraisal Valuation Practices - COVID-19 Update

Bulletin Date: April 15, 2020

Veterans Affairs

The following is an update to the original **VA Appraisal Practices** bulletin distributed April 1, 2020. All guidance published within this bulletin supersedes the original.

Updated content is presented in [loanDepot purple](#).

Appraisal Valuation Practices – COVID-19 Updates

The Department of Veterans Affairs (VA) has issued an updated [Circular 26-20-13](#) and rescinded Circulars [26-20-11](#) and [26-20-11 Exhibit A](#) providing temporary guidance for appraisal valuation practices during COVID-19.

Effective for all loans **with application dates on, or after April 10, 2020** and will remain in place until further notice.

Note: Repair Inspection requirements apply to any and all loans **regardless of the loan application date**, as indicated below.

VA is allowing temporary flexibility to their appraisal inspection and reporting requirements. VA appraisers are still required to follow the same procedures of the VA appraisal process and meet USPAP/State requirements. VA will allow either:

- Exterior-Only appraisal with enhanced assignment conditions, or
- A Desktop appraisal, in limited instances

Requirements

Appraiser must indicate “Exterior-Only” or “Desktop” on page 1 of the Uniform Residential Appraisal Report (URAR), in the Subject section “Map Reference” line.

- Appraisers must boldly and inconspicuously state **“Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19”**.
 - When the appraiser believes the assignment is too complex to be completed by a Desktop or Exterior-Only appraisal, the appraiser is to contact the Regional Loan Center (RLC) and loanDepot to place the assignment on hold.
 - The use of Exterior-only valuations will be limited to **one and a half times** the maximum 2020 Freddie Mac Conforming Loan Limit for 1-unit limit for the county or county-equivalent area.
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- The appraiser is in control of the Scope of Work and the type of report will be used based on upon safety.
 - The use of Desktop valuations will be limited to the maximum 2020 Freddie Mac Conforming Loan Limit for 1-unit limit for the county or county-equivalent area.

Exterior-Only Appraisal

Exterior-only appraisals can be conducted for geographic areas with no restrictions or mandatory quarantine imposed by authorities. Appraisers must refer to their state/local authorities to determine if they are **deemed an essential part** of the financial transaction for mortgage lending.

The Exterior-Only appraisal report options must be completed for:

- Enhanced assignment condition on FNMA 2055/1075 URAR form
- Manufactured homes and multi-unit (2-4 unit) on 1004C or 1025 form

The appraiser must make every effort to complete the enhanced assignment conditions or document in the narrative why one or more conditions could not be met:

- Review full exterior of the property,
- Provide photos of all property sides with detailed notes of exterior and any visible MPRs,
- If obstructed/restricted view, accessibility is not granted or allowed, MLS photos may be utilized and explained in the appraisal report.
- Measurement of the footprint of home must be provided if accessible. It is not to determine gross living area (GLA) but for the appraiser to reconcile with public records
- Conduct a detailed interview over the phone with the occupant, veteran or real estate professional regarding the property. Any key items that impact market value must be noted in the appraisal report detailing what was provided and by whom
- Utilize any and all photos available from MLS, provided by the occupant, veteran or real estate professional
- **Comparables must still be viewed and photos provided when possible.**

Desktop Appraisal

Desktop appraisals can be conducted for geographic areas with restrictions of mandatory quarantine imposed by authorities **or not deemed as an essential part of the financial transaction for mortgage lending.** loanDepot must confirm acceptance of Desktop appraisal via public notes in WebLGY and by email to the appraiser.

If Desktop appraisal will not be accepted, the appraiser must advise the RLC to place assignment on hold for 30 days, subsequently cancel when status has not changed and annotate public notes in WebLGY with updates on all communication between parties.

- **Purchase transactions** – appraiser defines scope of work and annotate appraisal report for the source of information provided
- **Cash-out Refinance transactions** – appraisers are not required to proceed if information is not available to provide a credible report

The Desktop appraisal report options must be completed:

- FNMA 1004, 1073, 1004C, and 2025 form, and
- Included in all reports, the appraiser will be required to attach a copy of the [Scope of Work \(SOW\), Exhibit A, Certifications, and Assumptions](#)

Appraisers are not required to accept Desktop valuation order. The use of Assisted Appraisal Processing Program (AAPP) is not eligible for Desktop appraisals. The appraiser may contact the RLC to place assignment on hold when the scope of work is not capable to develop a credible report.

Interior Inspection Appraisal

The appraiser will continue to gain access to view the interior of the property for:

- **Purchase Transaction (vacant property)** – The interior inspection is allowed, when the appraiser poses no harm to themselves or others.

Reconsideration of Value

VA, loanDepot and the appraiser will work together during this time to assist best possible outcomes for the Veteran:

- **Purchase transactions** – Reconsideration of Values (ROV) will be restricted to a maximum of 7% of the appraiser's opinion value or \$10,000 whichever is greater.
 - ROV may be requested when the value requested is greater than stated
 - ROV amount must fall within the range of adjusted values in the sales grid of the appraisal or
 - Overwhelming evidence of appraisal error that impacts value.
 - The same criteria is required as outlined in the VA Handbook, Chapter 10 Appraisal Process – Section 22
 - A field review by VA RLC staff will not be completed in conjunction with ROV request
 - Memorandum of Values (MOV) – Completed by VA on a case by case basis when the appraiser is not available to complete an appraisal assignment for a purchase
- **Cash-out Refinance transactions** – VA will suspend ROV requests for cash-out refinance loans until further notice

Repair Inspections – Applies to any and all loans regardless of the loan application date.

Lack of verification of completion by the appraiser or inspector for repair items completion, the following options may be supplied to VA.

- loanDepot can certify repairs that are performed by licensed personnel instead of requiring an appraiser certification as outlined in the VA Handbook, Chapter 10 Appraisal Process - Section 23 topic b.
 - Any lead-based paint repair must be completed by a fee appraiser or
 - Escrow for future inspection and costs with a third party; may hold funds in escrow for repairs to be completed after closing.
- All repairs must be completed, and escrowed funds distributed prior to VA loan guarantee.
 - The work must be completed timely and satisfactorily (up to 180 days).
- **Purchase transaction repairs** – loan may close when the Veteran accepts responsibility to complete the repairs within 180 days of the loan closing, may be extended if warranted.
 - The home must be habitable by conventional standards.
 - Re-inspection will be required at that time at the posted fees.

Termite Inspections

If there is known or visible evidence of termite infestation, a clear termite report must be provided within one year of close of escrow.

- **Purchase Transactions:**
 - A termite certification may be provided by the seller and realtor when there are no known or visible evidence of termite infestation present and
 - Veteran must acknowledge that no inspection was completed. VA recommends the Veteran to complete an inspection once the national emergency has ended.
- **Cash-Out Refinance Transactions:** Veteran can provide a certificate of fact when there are no known or visible evidence of termite infestation present.

Additional NOV Conditions

Any additional items listed on NOV must comply with VA requirements

- NOV items must be cleared within 180 days from the NOV issuance date,
- All conditions must be completed before the VA loan guarantee,
- Any clear and obvious minimum property requirement (MPR) related issues that would render home uninhabitable, must have all repairs completed prior to VA loan guaranty,
- Veteran must acknowledge and accept any/all conditions not met prior to closing

Fees

Exterior-only appraisal with enhanced assignment conditions or Desktop appraisal fees will remain the same as an Interior Appraisal.

Refer to the VA Circular for complete announcement updates.

Appraisal Process

VA's temporary appraisal policy has no impact on the loanDepot Wholesale ordering process. Refer to our [Appraisal Process Clarification Announcement](#) for details.

Resources

- [VA Circular 26-20-13](#)
 - [VA Circular 26-20-13 Exhibit A](#)
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