

Chapter 13 Value Notices

Overview

Importance of VA Value Estimate

Accurate value estimates based on proper appraisal reviews are essential to the viability of the VA Loan Guaranty program and have a direct effect on the interests of the Government, veterans and lenders.

Rely Only on Notice of Value

Since appraisal reports are subject to change upon review, lenders and holders should rely only upon a VA notice of value issued by the appraisal reviewer.

Issuing a Notice of Value

The table below describes the steps to follow when issuing a Notice of Value.

Steps	Description	Refer to
1	Confirm eligibility of property for appraisal and LAPP processing.	<ul style="list-style-type: none"> • Chapter 10, and • Section 15.09.
2	Review the appraisal report.	<ul style="list-style-type: none"> • Section 13.01, and • Chapter 11.
3	Resolve any appraisal-related problems.	Section 13.02.
4	Document the appraisal review.	Section 13.02.
5	Prepare the Notice of Value.	<ul style="list-style-type: none"> • Section 13.04 • Section 13.05 • Section 13.06, and • Section 12.08.
6	Distribute the Notice of Value.	Section 13.07.

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Overview, Continued

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13.01 Reviewing Appraisal Reports

Purpose of Review

Every appraisal made for VA purposes **must** be reviewed either by the lender's VA-authorized staff appraisal reviewer (SAR) under the Lender Appraisal Processing Program (LAPP), or a VA staff appraiser in order to

- confirm that the photographs accurately reflect the appraiser's description of the subject and comparable properties
 - verify that the appraisal report is fully complete, clear and prepared according to industry-accepted appraisal techniques and VA instructions
 - determine that the appraiser's methodology is appropriate and that the appraiser's conclusions are consistent, sound, supportable, logical and based upon data in the appraisal report
 - determine, through use of reasonably available information, that the appraiser's value recommendation and other conclusions are consistent with those in similar cases recently processed
 - identify all property-related conditions and requirements that must be satisfactorily resolved before the property can become the security for a VA guaranteed loan, and
 - issue a notice of value.
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Handbook References for Reviewing Appraisal Reports

The following references in this handbook provide additional information when reviewing appraisal reports.

- Chapter 11
 - Section 13.02
 - Section 13.03
 - Section 13.04
 - Section 13.05
 - Section 13.06
 - Section 13.07, and
 - Section 13.08.
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13.01 Reviewing Appraisal Reports, Continued

**Other
Reference
Materials**

The appraisal reviewer must maintain up-to-date

- copies of this handbook and all other VA-issued directives and other reference material pertaining to the Loan Guaranty program.

For LAPP lenders, this includes the material issued by VA field stations having jurisdiction over each area where the lender originates LAPP loans

- applicable Federal statutes and VA regulations
- “*Uniform Standards of Professional Appraisal Practice*,” published by The Appraisal Foundation (www.appraisalfoundation.org), and
- real estate market sales data (to be used for comparative purposes).

Additional material is recommended:

- Any publications providing instructions for completing the *Uniform Residential Appraisal Report* (URAR). In the event of a conflict between VA and private source material, however, the VA-issued material must be considered controlling.
 - Other current reference materials regarding major real estate market conditions and trends. This includes weekend subscriptions to major newspapers, which typically have expanded real estate sections; industry-related newsletters; publications which provide analyses and forecasts of various housing and mortgage trends and relevant statistical data.
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**Real Estate
Market
Familiarity**

Although VA has no requirement that appraisal reviewers visit the geographic areas where appraised properties are located, they should keep up-to-date on major real estate market conditions and trends, in order to properly analyze the location-related information contained in appraisal reports.

13.02 Resolving LAPP Appraisal Review Problems

Contact and Cooperation

LAPP lenders are expected to take reasonable steps to resolve problems detected during their appraisal reviews. While branch office staff and authorized agents may contact the fee appraiser about the timeliness of a particular appraisal, only the lender's VA-authorized staff appraisal reviewer (SAR) may contact the appraiser to discuss valuation matters.

VA fee appraisers are expected to cooperate in addressing concerns about the content of their appraisal reports and timeliness in completing assignments.

Additional Information

When information, methodology or conclusions in the appraisal report require additional clarification or support, the SAR must contact the fee appraiser and obtain the necessary information.

Appraisal Report Changes

Any clarification, correction or revision by a fee appraiser to an appraisal report must be in writing, signed and dated. The fee appraiser must clearly identify any revised appraisal report as such in bold letters.

The lender must attach any clarification, correction or revision to the original appraisal report provided by the fee appraiser. The withholding of this or any other appraisal documentation is unacceptable and may result in administrative action against the lender and/or fee appraiser, as appropriate.

Reference: See Section 13.04, which addresses restrictions on changes by the SAR to the fee appraiser's value estimate.

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13.02 Resolving LAPP Appraisal Review Problems, Continued

Referral to VA When a substantive problem is not corrected after a reasonable effort, the SAR must send the VA office of jurisdiction

- a written report which clearly outlines the problem(s) and the dates and results of contact with the fee appraiser, and
- the appraisal report and/or other pertinent documentation.

VA will subsequently notify the appropriate parties of its decision and document the fee appraiser's performance file, the lender's file and the case file, as appropriate. It may be necessary for VA staff to review the appraisal report and issue a VA Certificate of Reasonable Value.

Note: Refer all **complaints** about property condition or appraiser performance to VA.

Lender Timeliness LAPP lenders are responsible for resolving any timeliness problems involving authorized agents and branch personnel.

VA Consistency VA offices are expected to be as consistent as possible regarding NOV conditions and requirements. They must notify LAPP lenders in writing when a local situation dictates an additional condition or requirement not listed on the standard NOV.

Reference: See Exhibit 1, *LAPP Lender's Notice of Value*, in this chapter.

13.03 Documenting LAPP Appraisal Reviews, Continued

Implication of SAR Certification

By making this certification and the certifications required with the application to participate in LAPP, the SAR is stating that in every case he/she

- personally reviewed the appraisal report
 - concurred with the fee appraiser's recommendation, except as noted in an attachment to the report
 - determined that the appraiser
 - used methodologies that were appropriate and reasonable in light of industry-accepted appraisal techniques
 - made conclusions that were consistent, based upon data in the report, and
 - complied with applicable VA requirements.
 - did not exert pressure or undue influence on the appraiser to change information or to reach a predetermined value for the subject property in order to accommodate the sale price or mortgage transaction, if clarification or corrections to the appraisal report were requested.
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13.04 LAPP—Related Changes to Appraiser's Value Estimate

Change Restrictions

At the same time the notice of value is issued, the lender's staff appraisal reviewer (SAR) cannot change the fee appraiser's value estimate for VA purposes by more than two percent (either up or down), unless both

- a downward adjustment in excess of two percent is considered necessary, and
- the fee appraiser provides the SAR with written justification which fully supports the reduction, including relevant real estate market information.

Reference: For value increases of more than two percent and changes requested after the notice of value is issued, see Section 13.09.

Change Must be Justified

Any change in the fee appraiser's value estimate, whether made by VA staff or the SAR, must be clearly warranted and fully supported by real estate market or other valid data considered adequate and reasonable by professional appraisal standards.

Documentation regarding a change made by the SAR must

- be attached to the original appraisal report
 - include any supporting documentation from the fee appraiser or any other source, and
 - include a completed sales comparison grid from an appraisal report form, or similar format, when appropriate. This analyzes any additional sales data, including adjustments for all value-related differences between the subject property and the additional sales.
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Penalty for Abuse

If VA determines that the SAR's value change was unwarranted and resulted in a VA loss due to payment of a claim under guaranty, the lender must indemnify VA to the extent that VA determines such loss was caused or increased by the increase in value.

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13.04 LAPP—Related Changes to Appraiser’s Value Estimate, Continued

**Potential
Conflict With
State**

SARs may not wish to exercise this authority where it is considered to be in conflict with State requirements.

In some states, the agency which regulates appraisers may take the position that any change in value by an appraisal reviewer subjects that individual to the State's requirements for appraisers.

13.05 Preparing Notices of Value

Format Under LAPP

Under LAPP, the lender's VA-authorized staff appraisal reviewer (SAR) must complete the standard notice of value form either on

- the lender's corporate letterhead, or
- attached to a statement on that letterhead which references it.

Reference: See Exhibit 1, *LAPP Lender's Notice of Value* in this chapter.

Format If Prepared by VA Staff

If prepared by VA staff, the notice of value will be either on

- VA Form 26-1843, Certificate of Reasonable Value (CRV) for an individual property, or
 - VA Form 26-1843a, Master Certificate of Reasonable Value (MCRV) for a group of related properties.
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Notice of Value Contents

Every notice of value will include

- estimated reasonable value of the property (See Section 11.02).
- estimated remaining economic life of the property (See Section 11.10), and
- a list of any property-related conditions and requirements necessary for VA loan guaranty.

Reference: See Section 13.06.

13.06 Notice of Value Conditions and Requirements

Introduction Every notice of value (NOV) issued in conjunction with an appraisal review must include a list of any conditions and requirements that must be satisfied for the property to be eligible for VA loan guaranty.

Reference: See Section 13.05.

Table of NOV Conditions & Requirements

The Table of NOV Conditions and Requirements below

- lists each condition and requirement shown on the standard LAPP NOV in the same order as shown on that NOV
- explains when each item is applicable
- explains what action is required to satisfy the condition or requirement, and
- references any additional information about the item in this handbook.

Reference: See Exhibit 1, in this chapter for the standard LAPP NOV.

NOV Item	Instructions for Preparing the NOV
Energy Conservation Improvements	<p>Check this item for every property appraised as “existing construction.”</p> <p>Note: Proposed or under construction” and “new construction” cases are not eligible for VA’s Energy Efficient Mortgage program.</p> <p>This action allows lenders to increase the loan amount for buyers to make energy efficiency improvements to the property.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 1</i> on the NOV • Section 7.03.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Wood Destroying Insect Information	<p>Check the appropriate items if the property is located in an area where the probability of termite infestation is "very heavy" or "moderate to heavy" according to the Termite Infestation Probability Map published in The <i>Council of American Building Officials (CABO) One and Two Family Dwelling Code</i>.</p> <p>Note: If there is a question about the location of an infestation probability boundary line in relation to the subject property, contact the VA office of jurisdiction to determine if this requirement is applicable.</p> <p>Additional Requirements</p> <ul style="list-style-type: none"> • In cases processed as "New Construction," the builder can meet the requirements for either "existing construction" or "proposed or under construction." • The pest control operator must meet all requirements of the State in which the property is located. • In States which require the use of a State inspection form in all transactions, the State form is acceptable for VA loan guaranty purposes. • Inspection reports are valid for VA purposes for 90 days from the date of inspection. <p>References: See Section 12.06.</p>
Lien Supported Assessment	<p>Check the appropriate items and provide the required information, if applicable. Generally, this involves only units in a planned unit development or condominium.</p> <p>References:</p> <ul style="list-style-type: none"> • Item 3 on the NOV • Chapter 16, Section B.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
PUD Condominium Requirements	<p>Check the appropriate items if the property is located in a planned unit development or condominium.</p> <p>Important: The project must be acceptable to VA, and all project approval-related requirements satisfied, for the property to be eligible for VA loan guaranty.</p> <p>Reference: See Chapter 16, Section A.</p>
Water/Sewer System Acceptability	<p>Check the appropriate items for a property served by an individual</p> <ul style="list-style-type: none"> • water supply, such as a well, or • septic system with an indication of a problem or in an area known to have soil percolation problems. <p>References:</p> <ul style="list-style-type: none"> • <i>Item 5</i> on the NOV • Section 12.08.
Connection to Public Water/Sewer	<p>Check the appropriate items if the property is served by an individual well or septic system and there is an indication that public water or sewer is available.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 6</i> on the NOV • Section 12.08.
Private Road/Common Use Driveway	<p>Check this item if access to the property is by a private road or common-use driveway.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 7</i> on the NOV • Section 12.05.

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13.06 Notice of Value Conditions and Requirements, Continued**Table of NOV Conditions & Requirements (continued)**

NOV Item	Instructions for Preparing the NOV
Flood Insurance	<p>Check this item if the dwelling is located in a Special Flood Hazard Area (SFHA). It is the lender's responsibility to assure 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.</p> <p>Exceptions:</p> <ul style="list-style-type: none"> • The property is not eligible as the security for a VA home, if the property is located in an SFHA and flood insurance is not available because the community is not participating in the National Flood Insurance Program (NFIP) • The lender can appeal to the Federal Insurance Administration (FIA), if there is an indication that a property is incorrectly included in a SFHA. <p>Note: Based on FIA's administrative review of the scientific or technical data submitted by the lender, FIA may issue a Letter of Map Amendment (LOMA) to amend the current FEMA map and establish that the property is not located in a SFHA.</p> <p>References:</p> <ul style="list-style-type: none"> • Item 8 on the NOV • Section 9.10 • Section 10.06 • Figure 1 in Chapter 11.
Airport Acknowledgement	<p>Check this item if the property is located in an airport noise zone or safety-related zone acceptable to VA.</p> <p>References:</p> <ul style="list-style-type: none"> • Item 9 on the NOV • Section 10.06 • Figure 1 in Chapter 11.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Repairs	<p>Check the appropriate items and list the repairs recommended by the appraiser which are necessary to make the property meet VA Minimum Property Requirements (MPRs).</p> <p>Lead-Paint Conditions Since properties built prior to 1978 may contain lead-based paint, the correction of any defective paint condition on such properties must be made according to the requirements in Section 12.03 and inspected only by VA fee personnel or VA staff.</p> <p>Notes:</p> <ul style="list-style-type: none"> • A notice of value should not be issued for a property in a badly deteriorated condition unless there is a reasonable likelihood that it can be repaired to meet VA MPRs prior to loan closing. • A certification regarding the condition or adequacy of the roof, electrical/plumbing/heating systems, etc., should not be required unless there is an indication of a problem. • Lenders and fee appraisers should use their own letterhead when certifying that required repairs have been satisfactorily completed. Generally, fee inspectors will not inspect repairs to existing properties, unless the loan involves alterations or improvements for which construction exhibits are required. <p>LAPP SAR disagreements with fee appraiser repair recommendations will be resolved by either the</p> <ul style="list-style-type: none"> • Appraiser—The SAR should ask the fee appraiser to reconsider the appropriateness of the repair recommendations. Any changes made by the appraiser must be in writing • VA—If the repairs are necessary to make the property meet VA MPRs or cost a total of more than \$500 or 0.5 percent of the recommended value of the property. In this situation, the SAR must refer details about the disagreement to the local VA office, along with the appraisal report, photographs of the subject property and (if a veteran is under contract) the veteran’s written acknowledgement of his/her awareness of the repair recommendations and request that they be waived, or

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13.06 Notice of Value Conditions and Requirements, Continued**Table of NOV Conditions & Requirements (continued)**

NOV Item	Instructions for Preparing the NOV
Repairs, continued	<ul style="list-style-type: none"> • SAR—If the repairs are clearly minor, uncomplicated, nonstructural, do not affect the safety, soundness or sanitation of the property, or are cosmetic in nature, provided their total cost is the lesser of \$500 or 0.5 percent of the recommended value of the property. In this situation, justification for waiving the repairs must be fully supported and adequately documented by the SAR, including an inspection of the property, if appropriate. <p>References:</p> <ul style="list-style-type: none"> • <i>Item 10</i> on the NOV • Section 10.01 • Section 10.05 • Section 10.06 • Section 11. 02 • Section 11.04 • Chapter 12.
Local Housing/ Planning Authority Code Requirements	<p>Check this item if the property is existing construction which is located in an area where specific local housing/planning authority code requirements are enforced in conjunction with the sale of homes.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 11</i> on the NOV • Section 10.07 • Figure 1 in Chapter 11.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
“Not Inspected” Acknowledgement	<p>Check the appropriate items if the property was appraised as “new construction”.</p> <p><i>Note:</i> <i>Item 12a</i> on the NOV applies if the property is to be covered by a one-year builder’s warranty per Section 10.08. <i>Item 12b</i> on the NOV applies if the property is to be covered by a 10-year insured protection plan per Section 10.09.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 12</i> on the NOV • Section 10.05 • Section 10.08 • Figure 1 in Chapter 10.
Ten Year Insured Protection Plan	<p>Check this item if the property was appraised as either “proposed or under construction” or “new construction” and is to be covered by a 10-year insured protection plan.</p> <p><i>Note:</i> A copy of the builder’s application to enroll the subject property in an acceptable 10-year plan is adequate “evidence of enrollment.” It is the builder’s responsibility to ensure that all enrollment fees are paid and the enrollment process is otherwise completed.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 13</i> on the NOV • Section 10.05 • Section 10.09 • Overview section in Chapter 14.

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Energy Efficient Construction	<p>Check this item if the property was appraised as “new construction.”</p> <p>The certification is required even when State or local energy-related requirements exceed the 1992 Council of American Building Officials (CABO) Model Energy Code (MEC) standard.</p> <p>The certification is not required if the dwelling is either</p> <ul style="list-style-type: none"> • manufactured home built to HUD code and inspected by HUD in the factory, or • individual unit in a condominium over two stories high. <p>References:</p> <ul style="list-style-type: none"> • <i>Item 14</i> of the NOV • Section 12.02.
Lead/Water Distribution System	<p>Check this item if the property was appraised as “new construction.”</p> <p>This requirement also applies to cases involving alterations, improvements or repairs to the potable water distribution system.</p> <p>Reference: See <i>Item 15</i> on the NOV.</p>

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Offsite Improvements	<p>Check this item if the property was appraised as either “proposed or under construction” or “new construction” and off-site improvements have not been completed and accepted for maintenance by the local authority at that time, such as</p> <ul style="list-style-type: none"> • streets • sidewalks • drains, and/or • sewers. <p>References:</p> <ul style="list-style-type: none"> • <i>Item 16</i> on the NOV • Section 9.09 • Figure 1 in Chapter 10.
Proposed Construction	<p>If the property was appraised as “proposed or under construction,” check this item and provide the information required to identify the construction exhibits used.</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 17</i> on the NOV • Section 10.10.
Construction Inspections	<p>Check this item and identify the VA-assigned fee inspector if the property was appraised as “proposed or under construction.”</p> <p>References:</p> <ul style="list-style-type: none"> • <i>Item 18</i> on the NOV • Section 10.04 • Chapter 14.

Continued on next page

13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV						
<p>Construction Warranty</p>	<p>Check this item if the property was appraised as either</p> <ul style="list-style-type: none"> • “proposed or under construction,” or • “new construction” to be covered by a one-year builder’s warranty. <p>In all cases, the veteran purchaser must be provided with a one-year builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction, signed by an authorized official.</p> <p>Use the following to determine how to handle cases involving manufactured homes classified as real estate.</p> <table border="1" data-bbox="483 919 1419 1373"> <thead> <tr> <th data-bbox="483 919 883 959">When cases ...</th> <th data-bbox="883 919 1419 959">Then ...</th> </tr> </thead> <tbody> <tr> <td data-bbox="483 959 883 1108">processed as “proposed or under construction” (See the definition in Section 10.10)</td> <td data-bbox="883 959 1419 1108">the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.</td> </tr> <tr> <td data-bbox="483 1108 883 1373">involve a new manufactured home unit</td> <td data-bbox="883 1108 1419 1373"> the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty. <i>Note:</i> This warranty will cover the manufactured home unit only. </td> </tr> </tbody> </table>	When cases ...	Then ...	processed as “proposed or under construction” (See the definition in Section 10.10)	the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.	involve a new manufactured home unit	the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty. <i>Note:</i> This warranty will cover the manufactured home unit only.
When cases ...	Then ...						
processed as “proposed or under construction” (See the definition in Section 10.10)	the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.						
involve a new manufactured home unit	the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty. <i>Note:</i> This warranty will cover the manufactured home unit only.						

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13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV	
Construction Warranty, continued	When cases ...	Then ...
	involve a used manufactured home sold by a dealer	the dealer must provide the purchaser with a six-month warranty on VA Form 26-8730, Used Manufactured Home Limited Warranty. This warranty that the mechanical equipment, electrical, gas and heating systems, and water and plumbing systems are in operating condition and the roof is weathertight. This warranty is not required in connection with the sale of a used manufactured home not involving a dealer.
<p>References:</p> <ul style="list-style-type: none"> • <i>Item 19</i> on the NOV • Section 10.05 • Section 10.08 • Section 10.09 • Section 10.10. 		

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13.06 Notice of Value Conditions and Requirements, Continued**Table of NOV Conditions & Requirements (continued)**

NOV Item	Instructions for Preparing the NOV
Other Conditions & Requirements	<p data-bbox="459 464 1414 569">Check this item and list any other conditions or requirements necessary to satisfy fee appraiser or local VA office concerns, or otherwise cause the property to meet all VA requirements.</p> <p data-bbox="459 611 589 642">Example:</p> <p data-bbox="459 648 1406 753">If the dwelling will have a permanently installed, non-electric, unvented fireplace or other unvented space heater, the NOV must be conditioned to require</p> <ul data-bbox="459 795 1425 1110" style="list-style-type: none"> <li data-bbox="459 795 1344 905">• the veteran purchaser’s written acknowledgement that the dwelling contains an unvented fireplace or space heater which has not been inspected by VA, and <li data-bbox="459 915 1425 1110">• a written heating/air conditioning contractor, that identifies the property and states that the unvented appliance <ul data-bbox="483 999 1425 1110" style="list-style-type: none"> <li data-bbox="483 999 1284 1031">– is equipped with an approved Oxygen Depletion Sensor, and <li data-bbox="483 1041 1425 1110">– meets local building authority requirements, or is installed according to the manufacturer’s recommendations if there are no local requirements. <p data-bbox="459 1163 976 1194">Consistency and Additional Conditions</p> <p data-bbox="459 1201 1425 1341">VA offices are expected to be as consistent as practicable regarding NOV conditions and requirements. They will notify lenders in writing when a local situation dictates an additional condition/requirement not listed on the standard NOV.</p> <p data-bbox="459 1383 943 1415">Reference: See <i>Item 20</i> on the NOV.</p>

13.07 Distributing Notices of Value

LAPP Cases

For cases processed under LAPP, the SAR must send the

- veteran borrower the NOV and a copy of the reviewed appraisal report, within five business days of the lender's earliest receipt of the appraisal report by the SAR or an authorized agent/broker.

Note: Any delay without documented, reasonable extenuating circumstances, such as the need to obtain additional information from the fee appraiser, will not be acceptable.

- VA office of jurisdiction
 - a copy of the NOV, and
 - a complete set of the appraisal report contents (Section 11.04), either on the same day the NOV is sent to the veteran or by the last day of the month along with the other NOVs issued that month, and
 - fee inspector if assigned by VA, a copy of the NOV, if applicable
-

NOV's Issued by VA Staff

For cases processed by VA staff, VA will send the

- lender the original CRV or Master CRV and an original copy of the VA-reviewed appraisal report with all related exhibits, and
- veteran borrower a copy of the CRV. If the borrower is unknown at the time the CRV is prepared, the copy will be
 - retained in the case file and mailed to him/her upon VA receipt of the Uniform Residential Loan Application (in "prior approval" cases), or
 - sent with the Certificate of Eligibility after the loan is guaranteed (for loans processed on the automatic basis).

Note: For properties valued on a Master CRV, the veteran borrower's notice of value will be considered to be [VA Form 26-1820](#), Report and Certification of Loan Disbursement or [VA Form 26-1802a](#), HUD/VA Addendum to Uniform Residential Loan Application.

13.08 How Long Notice of Value is Valid

Existing or New Construction A notice of value for property appraised as existing or new construction is valid for six months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period.

Proposed or Under Construction A notice of value for a property appraised as proposed or under construction is valid for 12 months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period.

Veteran Under Contract If a veteran signs a purchase agreement during a notice of value's validity period, that notice of value will remain valid until that transaction is either completed or terminated.

Extension of Validity Period VA will extend the validity period only when it is determined that current market conditions make it likely that the original value estimate will remain valid through the extended period.

Generally, extension requests will be sent to the VA office of jurisdiction, which will contact the fee appraiser involved, if appropriate, and issue an endorsement to the notice of value, if justified.

13.09 Changing Notices of Value

Policy

After a notice of value is issued, the value estimate or any NOV condition or requirement can be changed if either

- the change is clearly warranted and fully supported by real estate market or other valid information which would be considered adequate and reasonable by professional appraisal standards, or
- the NOV's issuance involved fraud, misrepresentation or substantial VA or LAPP lender administrative error and action is necessary to make the valuation consistent with the real estate market.

Note: A new VA appraisal must not be requested for any property which already has a valid VA notice of value. However, an additional appraisal made by a VA fee appraiser not assigned by VA can be used to support a request for an increase in value, provided the veteran purchaser was not required to pay any portion of the cost of that additional appraisal.

How to Request a Change

Every request for a change must be in writing.

Any party of interest to the transaction can submit a request through the lender

- to the fee appraiser on whose appraisal the current VA valuation is based, if the request is for a change in value (commonly referred to as a “reconsideration of value”), or
 - to the VA office of jurisdiction for requests other than to change the value.
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Submission of Real Estate Market Data

Although there is no requirement that comparable sales or other real estate market information be submitted with a request for a change in value, such supporting information will greatly assist VA in reviewing the request. In cases processed under the Lender Appraisal Processing Program (LAPP), the request should also include the LAPP staff appraisal reviewer's recommendation.

Continued on next page

13.09 Changing Notices of Value, Continued

Appraiser's Role

The fee appraiser will

- record on the request the date that it was received (for VA timeliness calculation purposes)
- review the request and any supporting documentation
- prepare a written recommendation, with justification regarding the request which would be considered adequate and reasonable by professional appraisal standards, and

Note: In most cases, this will include a sales comparison analysis grid or similar analysis.

- forward the recommendation and all related documentation to either the
 - lender, if the case is being processed under LAPP and an increase in value of not more than two percent is justified, or
 - VA office of jurisdiction, in all other cases. A copy of the appraisal report will also need to be included in cases being processed under LAPP.

Note: The appraiser may charge a reasonable fee (not to exceed that allowed by HUD/FHA) if the market data necessary to reconsider the value estimate was not available at the time of the appraisal.

VA's Role

Upon receipt of a fee appraiser's recommendation, VA staff will

- review the request and the appraiser's recommendation
 - determine if the requested change is justified, and
 - notify the lender by either
 - letter, if no change is justified or a change is justified and the notice of value was issued by the lender under LAPP, or
 - [VA Form 26-6363](#), Endorsement to Certificate of Reasonable Value, or its computer-generated form letter equivalent, if a change is justified and VA issued the notice of value. VA will also send a copy of this form or form letter to the veteran purchaser, if known.
-

Continued on next page

13.09 Changing Notices of Value, Continued

- Lender's Role** Upon receipt of the VA letter in cases processed under LAPP, the lender will
- notify the veteran purchaser of VA's decision, either by an amended notice of value clearly marked "AMENDED" or other notice on the lender's letterhead, and
 - retain a copy of all documentation concerning the change for future VA reference.
-

13.10 Transfer of Appraiser's Reports Between Lenders

Lender Cooperation Lenders are expected to cooperate on a reciprocal basis when a veteran purchaser chooses to have his/her mortgage transaction completed by a lender other than the one who ordered the appraisal.

LAPP Cases A LAPP notice of value is **not** transferable to another lender. However, an appraisal report requested by one lender can be subsequently used by a LAPP lender, if the LAPP lender assumes full responsibility for LAPP processing by performing a complete review of the appraisal report and issuing, on its own letterhead, a notice of value to the veteran borrower.

Other Cases If the subsequent lender does not have LAPP authority and no VA Form 26-1843, Certificate of Reasonable Value, was ever issued by VA staff, then all appraisal documentation must be submitted to VA. VA staff will review that material and issue a VA Form 26-1843 to the subsequent lender.

A notice of value issued by VA staff on VA Form 26-1843 can be transferred to a subsequent lender.

If Unable to Obtain Appraisal If a subsequent lender is unable to obtain an original copy of a needed appraisal report and all addenda, including clear copies of all pictures, that lender may contact the fee appraiser involved for that documentation. The fee appraiser may negotiate a reasonable fee, to be paid by the lender or veteran, for any additional work that may be necessary.

Validity Period Issues For information on validity period issues, see Section 13.08.

13.11 Discovery of Title Limitations & Conditions

Requirement to Notify VA Any title limitation or condition discovered after examination of the title but prior to loan closing must be submitted to the VA office of jurisdiction (along with a copy of the appraisal report in LAPP cases), unless it

- was considered in the appraisal report, or
- is listed in [38 CFR 36.4350](#) as **not** materially affecting the reasonable value of residential property.

[38 CFR 36.4350]

If VA Value Based on HUD Appraisal If the VA notice of value was based on a HUD value determination per Chapter 10.11, and neither of the above two exclusions apply, the lender must

- contact HUD to determine what effect, if any, the limitation or condition has on the value of the property, and
 - provide the VA office of jurisdiction with the results so that office can issue a VA Form 26-6363, Endorsement to Certificate of Reasonable Value.
-

Continued on next page

13.11 Discovery of Title Limitations & Conditions, Continued

Limitations and Conditions Not Affecting Value

Per, the following conditions or limitations to title have been determined by VA as not materially affecting the VA value estimate of residential property (whether or not enforceable by a reverter clause), provided there has been no breach of the conditions affording a right to an exercise of the reverter clause.

[\[38 CFR 36.4350\]](#)

When the limitation or condition is ...	There is no material affect on the VA value estimate if ...
Building or use Restriction	<ul style="list-style-type: none"> • no violation exists, and • the proposed use by the veteran is not likely to result in a violation.
Violation of Building or Use Restrictions of Record	<ul style="list-style-type: none"> • they have existed for more than one year, • are not the subject of pending or threatened litigation, and • do not provide for a reversion or termination of title, condemnation by municipal authorities, or a lien for liquidated damages which may be superior to the lien of the guaranteed or insured mortgage.
Easement	<ul style="list-style-type: none"> • public utility/drainage easement along one or more of the property lines or easement for drainage or irrigation ditches, provided the exercise of the rights of such easement does not interfere with the use of any of the buildings or improvements located on the subject property • mutual easement for joint driveway located partly on the subject property and partly on adjoining property, provided the agreement is recorded in public records, or • easement for underground conduits which are in place and which do not extend under any buildings on the subject property.

Continued on next page

13.11 Discovery of Title Limitations & Conditions, Continued

Limitations and Conditions Not Affecting Value (continued)

When the limitation or condition is ...	There is no material affect on the VA value estimate if ...
Encroachment	<ul style="list-style-type: none"> • encroachment on the subject property by improvement on the adjoining property when such encroachment does not exceed one foot within the subject boundaries, provided such encroachment does not touch any buildings or interfere with the use or enjoyment of any building or improvement on the subject property • encroachment by hedges or removable fences belonging to subject or adjoining property • encroachment not exceeding one foot on adjoining property by driveway belonging to subject property, provided there exists a clearance of at least eight feet between the buildings on the subject property and the property line affected by the encroachment, or • lot line variation between the length of the subject property lines as shown on the plot plan or other exhibits submitted to VA and as shown by the record or possession lines, provided such variation does not interfere with the current use of any of the improvements on the subject property and does not involve a deficiency of more than two percent with respect to the length of the front line, or more than five percent with respect to the length of any other line.

Continued on next page

13.11 Discovery of Title Limitations & Conditions, Continued

VA Processing of Limitations/ Conditions Affecting Value

For limitations/conditions submitted to VA which were not considered in the appraisal report or covered by [38 CFR 36.4350](#), the VA office of jurisdiction will

- contact the fee appraiser (via VA Form Letter 26-209) if additional information is needed to determine the effect of the limitation/condition on the value estimate
- consider the impact of the condition/limitation on the reasonable value of the property, and
- notify the lender or other interested party of its determination via either VA Form Letter 26-210 or an endorsement (containing the language found on FL 26-210) to the request for VA consideration of the condition/limitation.

[\[38 CFR 36.4350\]](#)

13.12 Effect of Major Disasters on Notices of Value

**VA Notice to
Program
Participants**

As soon as practicable after a major natural disaster, VA offices in the area(s) affected by the disaster will send their program participants instructions regarding the handling of cases in which a notice of value is outstanding.

Exhibit 1—LAPP Lender’s Notice of Value, Continued

CONDITIONS/REQUIREMENTS (CONTINUED)
[Check all items which apply and give appropriate information]

PROPERTY ADDRESS [complete address]

VA CASE NO.:

_____ 2. WOOD-DESTROYING INSECT INFORMATION

_____ a. **Inspection Report (Existing Construction).** The property must be inspected at no cost to you by a qualified pest control operator using Form NPCA-1, or other form acceptable to VA. Any reported infestation or structural damage affecting the value of the property must be corrected to VA's satisfaction prior to loan settlement. You must acknowledge receipt of a copy of the inspection report in the space provided on the form.

_____ b. **Soil Treatment Guarantee (Proposed or Under Construction).** A properly completed Form NPCA-99a is required. If the soil is treated with a termiticide, a properly completed Form NPCA-99b is also required. The lender will provide you with a copy.

_____ 3. **LIEN-SUPPORTED ASSESSMENT.** This property is located in a development with mandatory membership in a homeowners' association. The lender is responsible for ensuring that title meets VA requirements for such property and that homeowner association assessments are subordinate to the VA-guaranteed mortgage.

_____ a. **Homeowner Association Fee.** Estimated fee of \$[amount] per [period of time].

_____ b. **Other.** _____

_____ 4. **CONDOMINIUM REQUIREMENTS.** The lender is responsible for ensuring that this condominium is acceptable to VA and that any condominium-related special conditions or requirements have been met. There may be additional information in "Other Conditions/Requirements" below.

_____ 5. **WATER/SEWAGE SYSTEM ACCEPTABILITY.** Evidence from the local health authority or other source authorized by VA that the individual _____ **water supply**, _____ **sewage disposal** system(s) is/are acceptable.

_____ 6. **CONNECTION TO PUBLIC WATER/SEWER.** Evidence of connection to _____ **public water**, _____ **public sewer**, if available, and that all related costs have been paid in full.

_____ 7. **PRIVATE ROAD/COMMON-USE DRIVEWAY.** Evidence that use of the private road or common-use driveway is protected by a recorded permanent easement or recorded right-of-way from the property to a public road, and that a provision exists for its continued maintenance.

Continued on next page

Exhibit 1—LAPP Lender’s Notice of Value, Continued**CONDITIONS/REQUIREMENTS (CONTINUED)**

[Check all items which apply and give appropriate information]

PROPERTY ADDRESS: [complete address]

VA CASE NO.:

- ____ 8. **FLOOD INSURANCE.** Since improvements on this property are located in a FEMA Special Flood Hazard Area, flood insurance is required.
- ____ 9. **“AIRPORT” ACKNOWLEDGEMENT.** Your written acknowledgement that you are aware that this property is located near an airport and that aircraft noise may affect the livability, value and marketability of the property.
- ____ 10. **REPAIRS.** The ____ lender ____ fee appraiser (____ [name]____) ____ fee compliance inspector (____ [name]____) is to certify that the following repairs have been satisfactorily completed. See the above second paragraph about your responsibility concerning the condition of the property.
- ____ [List repairs recommended by fee appraiser which are necessary to make the property meet VA minimum property requirements for existing construction. Inspections/certifications should not be required unless there is an indication of a potential problem.]
- ____ 11. **LOCAL HOUSING/PLANNING AUTHORITY CODE REQUIREMENTS.** Evidence that local housing or planning authority code requirements, if any, have been met.
- ____ 12. **“NOT INSPECTED” ACKNOWLEDGEMENT.** Your written Acknowledgement that, you are aware that since this new property was not inspected during construction by VA,
- ____ a. VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported during the one-year builder’s warranty period.
- ____ b. VA will not intercede on your behalf in the processing of any construction complaints.
- ____ 13. **TEN-YEAR INSURED PROTECTION PLAN.** Evidence of enrollment of this new property in a 10-year insured protection plan acceptable to the Department of Housing and Urban Development (HUD).

Continued on next page

Exhibit 1—LAPP Lender’s Notice of Value, Continued**CONDITIONS/REQUIREMENTS (CONTINUED)**

[Check all items which apply and give appropriate information]

PROPERTY ADDRESS: [complete address]

VA CASE NO.:

- _____ 14. **ENERGY EFFICIENT CONSTRUCTION.** Builder's certification which identifies this new dwelling and states that it was constructed to meet the energy conservation standards of the Council of American Building Officials (CABO) 1992 Model Energy Code (MEC).
- _____ 15. **LEAD/WATER DISTRIBUTION SYSTEM.** Builder's certification which identifies this new dwelling and states that the solders and flux used in construction did not contain more than 0.2 percent lead and that the pipes and pipe fittings used did not contain more than 8.0 percent lead.
- _____ 16. **OFFSITE IMPROVEMENTS.** Evidence that the streets, sidewalks, drains, water, sewer, etc. have been completed and accepted for maintenance by the local authority.
- _____ 17. **PROPOSED CONSTRUCTION.** To be completed based on construction exhibits identified as _____ [model name; or type of construction, square footage, # rooms, # bedrooms and # bathrooms]_____
- _____ 18. **CONSTRUCTION INSPECTIONS.** By VA fee compliance inspector (_____ [name]_____) or HUD fee inspector (with prior VA approval). _____ Only a final inspection is required if local building authority inspections are acceptable to VA, or if builder to provide you with a ten-year insured protection plan acceptable to HUD.
- _____ 19. **CONSTRUCTION WARRANTY.** One-year VA builder's warranty on a fully completed VA Form 26-1859, Warranty of Completion of Construction.

Continued on next page

Exhibit 1—LAPP Lender’s Notice of Value, Continued

CONDITIONS/REQUIREMENTS (CONTINUED)

[Check all items which apply and give appropriate information]

PROPERTY ADDRESS: [complete address]

VA CASE NO.:

____ 20. **OTHER CONDITIONS/REQUIREMENTS**

Sincerely,

[signature, name and title of person authorized to sign notice]

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