

Chapter 15

Lender Appraisal Processing Program (LAPP)

Overview

Purpose of LAPP

The purpose of the Lender Appraisal Program (LAPP) is to speed the time to loan closing by allowing VA-authorized lenders to receive appraisal reports directly from appraisers and process them without VA involvement.

How LAPP Works

There are basically four steps in processing LAPP cases.

Stage	Description
1	The LAPP lender requests VA assignment of a fee appraiser and a VA loan number (same as any other case) and identifies the case as "LAPP."
2	The VA-assigned appraiser sends the appraisal report directly to the LAPP lender's VA-approved staff appraisal reviewer (SAR).
3	<p>The LAPP lender's SAR</p> <ul style="list-style-type: none"> • reviews the appraisal report for completeness and conformity with industry-accepted appraisal practices and techniques as well as other VA requirements • determines the reasonable value of the property and any conditions which must be met prior to VA guaranty of the loan, and • sends the veteran buyer a written notice of the value which includes any conditions or requirements upon which the VA loan guaranty is contingent.
4	The LAPP lender then underwrites and closes the loan on the automatic basis and requests VA guaranty.

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Overview, Continued

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15.01 LAPP Eligibility

Lender Requirements

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.

Role of Staff Appraisal Reviewer (SAR)

The lender exercises its LAPP authority through an employee who is a VA-approved staff appraisal reviewer (SAR).

SAR Requirements

A lender's staff appraisal reviewer (SAR) must

- be a full-time salaried employee of the lender, and
 - have at least 3 years of work experience of a type which qualifies him or her to competently perform administrative appraisals reviews in conjunction with underwriting loans for VA loan guaranty purposes.
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15.01 LAPP Eligibility, Continued

SAR's Work Experience Requirements

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' experience related to the HUD Direct Endorsement program satisfies the experience requirement, provided all other application requirements are satisfied.

Location of SAR

The SAR may be located in any of the lender's offices unless he or she is also the VA-approved underwriter for a **nonsupervised** automatic lender. If this is the case, he or she must be located in

- the home office, or
 - a VA-approved regional underwriting office.
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15.01 LAPP Eligibility, Continued

Geographic Extent of LAPP

Once a SAR has satisfied the LAPP training and initial case review requirements (SAR Training and Initial Case Reviews in this chapter), their LAPP authority may be used for properties in any state in which the lender has authority to close loans under the automatic procedure.

If a lender's automatic authority is extended into a new state, their SAR's LAPP authority is immediately extended as well.

Important: It is the SAR's responsibility to stay informed about any local VA processing requirements unique to the VA jurisdiction in which a property is located.

SAR Conflicts of Interest

There must be no conflict of interest between the SAR's role as SAR and any other activities that he or she conducts. Examples of other activities which would be a conflict of interest include

- SAR is on the VA fee appraisal panel, or
 - SAR is employed by or performs appraisal review services for another lender.
-

15.02 Lender Quality Control System Requirements

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 LAPP application that the QC system meets the requirements detailed in this section.

Reference: See Exhibit 1 in this chapter.

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.
-

Frequency and Scope of Reviews 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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15.02 Lender Quality Control System Requirements, Continued

**QC Review
Criteria**

QC reviews should consider the

- overall quality of the SAR's appraisal review
 - acceptability of the property in light of VA minimum property requirements, and
 - appropriateness of the reasonable value determination.
-

**Maintenance of
VA
Publications**

The QC system must provide assurance that all current pertinent VA regulations, directives, and other releases are maintained and immediately available to the quality control personnel and SARs.

**Management
Notification
and Corrective
Action**

The QC system must provide for written notification of deficiencies cited as a result of audits or reviews at least quarterly to the

- lender's senior management, or
- chief executive officer.

The QC system must require senior management to

- promptly initiate and document actions to correct deficiencies, and
 - provide SARs with corrective instructions.
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**Review of VA
Fee Panel
Appraisals**

In addition to reviews of the SARs' work, random field reviews of VA fee panel appraisals should be performed. These reviews can be done by the

- SAR, or
- an independent appraiser on a contract basis.

Note: Formally report any substantive negative findings to the VA regional office where the appraiser is a member of the fee panel.

15.03 Applying for LAPP Authority

Application and Fees Submit a separate application 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, include a \$100 processing fee plus the information, statements and certifications exactly as detailed in the Exhibits (at the end of this chapter), 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.

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.

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 an SAR for that other lender.

15.04 SAR Training and Initial Case Reviews

Training and Case Review Requirements

The SAR may not begin performing appraisal reviews independently after VA's notification of approval until he or she fulfills

- VA training requirements, and
- VA initial case review requirements.

Generally, VA staff will train the SAR and then conduct the initial case reviews.

Exceptions to Training and Case Review Requirements

The following are the three exceptions to the SAR training and initial case review requirements:

SAR Training During or After Case Reviews

The lender may request that the training be conducted during or after the case review requirement.

SAR With Prior LAPP Experience

The lender may request a waiver of the training and case review requirements for an SAR who

- previously satisfied those requirements while employed by another LAPP lender, and
- has satisfactorily processed LAPP cases within the last year.

Experienced SAR to Train and Supervise New SAR

The lender may request that one of its experienced SARs train and review the initial cases of a new SAR. The experienced SAR must

- have full LAPP authority and be performing acceptably
 - provide adequate training to the new SAR, and
 - review and ensure the acceptability of the new SAR's initial LAPP cases.
-

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15.04 SAR Training and Initial Case Reviews, Continued

Training and Case Reviews Completed by Experienced SAR

Once the training and case reviews are acceptably completed, the lender's senior officer must send the VA office a signed and dated notice which includes

- the name and SAR ID number of both the trainee and trainer, and
- a letter stating that
 - the training covered all VA LAPP requirements, and
 - the trainer reviewed at least five cases successfully completed by the trainee.

Note: The letter must include the VA case number for at least five cases.

Training by VA Staff

If the training and case review requirements are not waived by VA or completed by an experienced SAR upon receipt of VA's notification that the SAR meets the basic LAPP qualification requirements, the lender must call that VA office to arrange for SAR training. VA will normally provide the training

- at the VA office (but may provide it in meetings or seminars at other locations in conjunction with scheduled VA field travel), and
- within 30 days.

At a minimum, the training by VA staff should consist of a one day session to discuss

- LAPP processing procedures and guidelines, and
- any local VA office requirements and conditions.

Note: Due to the need for consistency between VA offices nationwide, each office is expected to limit local requirements and conditions to only those that are essential.

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15.04 SAR Training and Initial Case Reviews, Continued

Procedure for Case Reviews

Each SAR's first five cases must be processed as described in the table below.

Stage	Description
1	SAR fully reviews the fee appraiser's report.
2	SAR determines the reasonable value of the property.
3	SAR drafts a notice of value (NOV) to the veteran purchaser. <i>Note:</i> SAR should not send it to the veteran purchaser.
4	VA staff or an experienced SAR with VA permission reviews the following items: <ul style="list-style-type: none"> • the NOV • the appraisal request • the appraisal report, and • any related documents.
5	If the SAR's work on the case is acceptable <ul style="list-style-type: none"> • VA staff will issue a Certificate of Reasonable Value (CRV) to the lender within five work days of receipt of the package, or • The experienced SAR reviewer will also update and sign the SAR certification and mail the NOV to the veteran purchaser. <i>Reference:</i> See Section 13.03.

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15.04 SAR Training and Initial Case Reviews, Continued

Case Reviews by VA Staff

Refer to the following table when the initial case reviews are made by VA staff.

If the SAR's appraisal review is ...	Then ...
deficient in any respect	VA will send a letter to the lender detailing the specific problems within five days of receipt of the package.
found to have substantive deficiencies such as failure to <ul style="list-style-type: none"> • identify significant appraisal errors, or • correctly note minimum property requirements or other conditions or requirements on the NOV 	VA's letter to the lender <ul style="list-style-type: none"> • will state that the SAR must continue to submit LAPP cases for VA review and issuance of a VA CRV prior to closing, and • may direct the SAR to visit the VA office for counseling or further training.
fully acceptable	VA will not provide feedback on the individual case.
fully acceptable and the last item necessary to satisfy all initial case review (and training) requirements	VA will notify the lender by letter that the SAR has satisfied all requirements and may process cases independently and issue the NOV.

15.05 Changes in SAR's Employment or Lender's Status

SAR No Longer Employed or Performing SAR Work

The lender must promptly notify VA if the SAR

- 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.
-

SAR Employed By New Lender

If the SAR begins work for a new lender, that lender must promptly submit to VA a

- new LAPP application (Exhibit 1 in this chapter), 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 within the last year.
-

Lender Changes

The lender must notify VA any time there is a

- change in ownership
- merger, or
- acquisition.

Reference: See Section 1.09 for a description of the information VA needs from the lender to continue its LAPP authority.

15.06 Lender Responsibilities Under LAPP

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 that 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.

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 Section 17.04

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

15.07 LAPP Processing Procedures

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.

Appraisal Requirements

For details about VA appraisal requirements, see Chapter 11.

Appraisal Reviews

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

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 a Certificate of Reasonable Value (CRV).

The submission must include the SAR's draft notice of value (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 Section 5.04.

15.08 Affiliates and Agents

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 of 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: See Section 1.06.

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: See Section 1.08.

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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15.08 Affiliates and Agents, Continued

Agents and Appraisals

Refer to the following table for rules regarding agents and appraisals.

If the agent ...	Then ...
is acting on behalf of an approved LAPP lender and is authorized by that lender	he or she may request VA appraisals, receive appraisal reports, and forward them to the lender's staff appraisal reviewer.
requests an appraisal	<p>he or she may use either the sponsoring (funding) lender's VA Assignment System logon or his or her own logon to request appraisals. An appraisal cannot be requested unless the sponsoring lender is known at the time of the request.</p> <p>If the agent is to receive the appraisal report, the request must include the agent's</p> <ul style="list-style-type: none"> • address in item 5 • signature in item 38 • firm's name in item 39, and • telephone number in item 40. <p>Note: In requesting an appraisal, the authorized agent is making the required certifications on behalf of the sponsoring lender.</p>

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15.08 Affiliates and Agents, Continued

Agents and Appraisals (continued)

If the agent ...	Then ...
receives an appraisal report	he or she must immediately forward it to the sponsoring lender who must issue a LAPP NOV within 5 business days of the agent's receipt of the appraisal report.
contacts the fee appraiser	that contact may only be about the timeliness of the appraisal, and not about the value or condition of the property which only the lender's LAPP SAR is authorized to discuss with the fee appraiser.
does not have LAPP authority but advertises or otherwise represents in any way that he or she is "LAPP approved"	he or she will have violated a VA prohibition against such advertising or representation.
has LAPP authority	he or she cannot issue a LAPP NOV for any other lender. See Section 13.10.

Exhibit 1: LAPP Application

VA LENDER APPRAISAL PROCESSING PROGRAM (LAPP) APPLICATION

STAFF APPRAISAL REVIEWER

NOMINEE: _____

(full name)

(residential address)

(social security number)

(business address)

(business telephone)

(10-digit VA lender ID for office where reviewer located)

(Fax)

(e-mail address)

OFFICER RESPONSIBLE FOR QUALITY OF APPRAISAL REVIEWER'S WORK:

(name and title)

(business address)

(business telephone)

STAFF APPRAISAL REVIEWER NOMINEE'S STATEMENTS AND CERTIFICATIONS:

PREVIOUS LAPP APPROVAL - If I was previously approved by VA as a LAPP Staff Appraisal Reviewer (SAR), the SAR ID number assigned was _____.

DISCLOSURE OF SANCTIONS - I have not been suspended, debarred or had a similar sanction taken against me by any Federal or State entity or any professional organization. I am not aware of any unresolved investigation involving me. Any potential problem regarding this disclosure has been submitted to VA, and a letter from VA indicating that the problem is resolved is attached.

CONFLICTS OF INTEREST - As a LAPP staff appraisal reviewer, I understand that I may not be employed by or perform appraisal review services for any other lender and may not be on the VA fee panel. I agree to report to VA any private interests or pursuits which might be considered by VA to be a conflict of interest.

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Exhibit 1: LAPP Application, Continued

APPRAISAL REVIEW EXPERIENCE - As indicated in the attached resume, or statement of work experience or evidence of HUD Direct Endorsement participation, I have the requisite experience outlined in chapter 15 of the VA Lender's Handbook.

APPRAISAL REPORT REVIEWS - I understand that all staff appraisal reviews made for VA loan guaranty purposes must be completed in accordance with the requirements in chapter 13 of the VA Lender's Handbook. I also understand that no pressure or influence is to be exerted on the appraiser to remove or change valid appraisal report information, or to reach a predetermined value for a property.

My signature below affirms that the information I am providing in all of the above statements and certifications is accurate and true, to the best of my knowledge.

(signature of staff appraisal reviewer)

(date)

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Exhibit 1: LAPP Application, Continued

SENIOR LENDING OFFICER'S STATEMENTS AND CERTIFICATIONS

STAFF APPRAISAL REVIEWER NOMINATION - The nominee is a full-time salaried employee of this company and is authorized to act on our behalf as a staff appraisal reviewer. Based on our personal interview with the nominee and a thorough review of the nominee's appraisal-related capabilities and performance, we find the nominee to be qualified as a staff appraisal reviewer in accordance with the requirements in chapter 15 of the VA Lender's Handbook. We acknowledge the responsibility that any improper actions of the nominee as a staff appraisal reviewer shall be imputed to the employer. We agree to promptly notify the appropriate VA office(s) if we ever change or limit this recommendation, or terminate our relationship with the nominee.

PROCESSING FEE - The \$100 processing fee for this nominee is attached.

PROPERTIES ALREADY VALUED - Unless VA grants authorization for a specific case, this company will not knowingly request an appraisal for a property which already has a valid value determination for VA loan purposes.

NO APPRAISAL REVIEWS FOR AFFILIATES - This company will not use LAPP for any builder, land developer, real estate broker or other entity which it owns or has a financial interest in, or with which it is otherwise affiliated. We realize that this restriction does not apply if our only relationship with a builder is a construction loan, or if VA agrees that the attached formal corporate agreement or other documentation demonstrates that we and our affiliate(s) are essentially separate entities operating independently of one another, free of all cross influences. In this latter situation, our quality control plan addresses the insulation of the fee appraiser, staff appraisal reviewer and the underwriter from the influence of the affiliate.

NO APPRAISAL REVIEWS FOR/FROM OTHER LENDERS - Although appraisal reports may be transferred from one lender to another, this company will not make VA value determinations for other mortgage lenders, nor use a value determination for VA loan guaranty purposes which was made by another mortgage lender, under any circumstances.

NO PRESSURE/INFLUENCE ON FEE APPRAISER OR STAFF APPRAISAL REVIEWER - This company will not exert pressure or influence on the fee appraiser or staff appraisal reviewer to remove or change valid appraisal report information, or to reach a predetermined value for a property.

QUALITY CONTROL SYSTEM - This company has an effective quality control or other system to ensure the adequacy and quality of its staff appraisal reviews. That system contains all of the basic elements identified in chapter 15 of the VA Lender's Handbook.

My signature below affirms that the information I am providing in all of the above statements and certifications is accurate and true, to the best of my knowledge.

(signature and title of senior officer)

(date)

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