

VA Appraisal Requirements on Foreclosed Properties

1. Purpose. This Circular reaffirms Department of Veterans Affairs (VA) policy that all properties, **including foreclosed properties**, must meet VA minimum property requirements (MPRs) prior to VA loan guaranty. Additionally, this Circular clarifies our current VA requirements on who may pay for repairs on foreclosed properties.

2. Details. There has been an ongoing interest in the purchase of foreclosed properties by Veterans wishing to use their VA Home Loan Guaranty benefit. VA hereby reaffirms our policies regarding VA MPRs in connection with the purchase of foreclosed properties which are to receive VA loan guaranty. As outlined in [Chapter 12](#) of the VA Lenders Handbook (VA Pamphlet 26-7), VA requires that all properties, including foreclosed properties, be in a condition that meets VA MPRs, or that the property must be repaired to meet the MPRs prior to loan guaranty. In those cases where repairs are required, the VA fee appraiser must list on the appraisal report any repairs necessary to meet MPRs, and provide an estimate of the fair market value for the property as if all of those repairs have been completed. The seller or the Veteran may negotiate who and/or how the required repairs included in the estimate of value, as noted in the VA Notice of Value will be paid. If necessary, escrow for the Veteran purchaser may be established to accommodate making the required repairs. The escrowing of funds is described in [Chapter 9](#) of VA Lenders Handbook (VA Pamphlet 26-7). Additionally, to protect both the Veteran's and VA's interests, lenders which are selling their own "Real Estate Owned" properties may not process these cases under our Lender Appraisal Processing Program (LAPP); these cases must be ordered and processed as "IND" appraisals.

3. Rescission: This Circular is automatically rescinded on January 1, 2017.

By Direction of the Under Secretary for Benefits

Michael J. Frueh
Director, Loan Guaranty Service

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