

Policy Changes Affecting Value Adjustments and Photographs

1. Purpose. This Circular announces the continuation of two previously active policy positions, value adjustments to the Department of Veterans Affairs (VA) Notice of Value (NOV) by Lender's Staff Appraisal Reviewers (SARs), and the requirement for interior photographs of subject properties.

2. Rescission of prior SAR authority to issue an NOV at other than appraiser's value estimate.

a. While in the past, the practice of allowing SARs to issue NOVs with a value up to five percent higher or lower than the appraiser's estimate was acceptable with supporting documentation. In light of the challenging and volatile market conditions existing today, as well as rapidly changing state regulatory requirements, it is important that only professional, VA fee panel appraisers be relied upon to provide market value estimates, as they are the individuals best qualified to submit an objective, independent opinion of market value.

b. SARs must issue the NOV at the appraised value reflected in the appraisal report and may not issue an NOV that deviates from the fee appraiser's value estimate. Questions regarding appraisal errors, omissions, or discrepancies that arise during the initial review should be handled by following normal procedures involved in contacting the appraiser. If contact results in the appraiser uploading an amended appraisal report with a changed value in webLGY, the SAR must issue the NOV at that changed (current) value.

c. VA staff may continue to make adjustments to the NOV, as necessary.

3. Requirement of VA fee appraisers to include interior photographs of the subject property.

a. In order to have VA valuation policy in alignment with current practices in the appraisal industry, appraisers must include interior photographs of the subject property, which at a minimum, show:

- (1) The kitchen.
- (2) All bathrooms.
- (3) Main living area.
- (4) Examples of physical deterioration, if present.
- (5) Examples of recent updates, such as restoration, remodeling, and renovation, if present.

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b. Additionally, appraisers are reminded of the following:

(1) In addition to the interiors photographs required by paragraph 3 of this Circular, appraisal reports must include clear, illustrative, original photographs showing the front, rear view (preferably including a different side view in each photograph), and a street scene of the subject property and the front of each comparable sale. The subject and all comparables must be appropriately identified.

(2) Photographs of comparable listings are not required, but are encouraged.

(3) Include photographs of any improvement, site feature, or view affecting value.

(4) Acceptable photographs include clear, illustrative images. Copies of photographs from a multiple listing service are acceptable only with an explanation why original photos are not available, i.e. gated communities where access may require trespass to photograph, etc.

4. Questions. All inquiries should be sent to colenders@vba.va.gov.

5. Rescission: This Circular is rescinded January 1, 2017.

By Direction of the Under Secretary for Benefits

Michael J. Frueh
Director, Loan Guaranty Service

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