



Bankers Advisory

COMPLIANCE MONITOR

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Veteran's Administration Announces New Appraisal Review Requirements

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June 12, 2015, the U.S. Department of Veterans Affairs (VA) issued ***CIRC. 26-15-12: New Appraisal Review Requirements and Instructions Regarding Department of Veterans Affairs Appraisal Management Service for the Lender Appraisal Processing Program and the Servicer Appraisal Processing Program Staff Appraisal Reviewers.***

Please refer to the attached Diagram: [Exhibit to Circular 26-15-12](#)

The contents of ***some*** of the key points of the Circular are as follows:

1. Purpose. The purpose of this Circular is to announce the Department of Veterans Affairs (VA) automated Appraisal Management Service (AMS) for use in enhancing the appraisal review process prior to issuance of the Notice of Value (NOV). AMS will provide Lender Appraisal Processing Program (LAPP) and Servicer Appraisal Processing Program (SAPP) Staff Appraisal Reviewers (SARs) assistance in quickly assessing appraisal risk for property eligibility, VA policy compliance violation, over/under-valuation, and appraisal quality issues.
2. Currently, every appraisal report made for VA purposes must be reviewed by either VA staff or the LAPP/SAPP SAR prior to issuance of the NOV. During a review, SARs ensure that VA requirements are met, and may find inconsistencies with the submitted information. If these inconsistencies go unaddressed, SARs may perform research to verify or clarify the data. This research often involves internet searches, the use of real estate databases such as the Multiple Listing Service (MLS), performing mathematical calculations, and contact with the appraiser.
 - a. To improve oversight, standardize the appraisal review process, and increase efficiency through better access to market data, VA's contractor, CoreLogic, provided VA with AMS that includes the LoanSafe Appraisal Manager (LSAM) product.
 - b. On June 1, 2014, VA and CoreLogic launched LSAM as a pilot program for VA Staff to use in the appraisal review process. The pilot program was instituted to better understand the integration between CoreLogic and VA systems while providing VA staff an opportunity to view and comment on LSAM before it became mandatory for VA staff use on November 3, 2014.
 - c. Since LSAM's mandatory use, VA staff have been using it in the review process for VA-issued NOVs, reconsideration of value cases, and 20 percent loss cases. As a VA risk management tool, LSAM will be made available to LAPP/SAPP SARs as of the effective date of this Circular.
3. Appraisal Format. Since June 1, 2014, all VA appraisals are required to be uploaded in WebLGY in Mortgage Industry Standards Maintenance Organization (MISMO) compliant 2.6 Extensible Markup

Language (XML) file format including an embedded portable document format (PDF) file. See Circular 26-14-11 for background on the XML file format.

a. In order to improve timeliness, if an appraiser is unable to upload an XML file due to VA system error, SARs or VA staff should advise appraisers to e-mail the PDF and/or the XML file to the Regional Loan Center (RLC) of jurisdiction with a clear explanation regarding appraisal upload failure. Once received, VA staff will have the option of uploading the PDF appraisal file; however, this option should only be used in rare instances where the XML file cannot be uploaded in WebLGY. Where this becomes an ongoing issue, VA staff will take action with the individual appraiser to ensure future compliance with VA requirements. It is important to note that an LSAM report is only retrieved from CoreLogic via WebLGY if the uploaded appraisal file is an XML file with an embedded PDF. A LSAM report will not be retrieved if only a PDF appraisal is uploaded.

b. Reasons why a permitted XML file would not be uploaded into the VIP Portal/WebLGY include: 1) the appraiser has not updated their appraisal software to the latest UAD requirements; or 2) the appraiser has attached additional or supplemental documents such as the contract, completion report, building plans, and specifications to the permitted appraisal types as stated in Paragraph 4 below. Note: WebLGY will validate the XML file. An invalid XML or XML without an embedded PDF will result in one of the following system errors: "Please provide a valid XML file," or, "XML file does not contain an embedded PDF. Please provide a valid XML file including an embedded PDF."

c. To ensure appraisal integrity, lenders, servicers, and/or their representatives who have been given authority to place appraisal orders are not permitted to request XML or PDF appraisals directly from appraisers. To review a VA appraisal, only approved LAPP/SAPP SARs may access WebLGY and download a PDF copy of the appraisal. VA as the client maintains strict quality control to ensure all intended users of VA appraisals have the most recent appraisal that has undergone LSAM review. Therefore, with rare exception, WebLGY has been and remains the only source for a copy of the appraisal report.

4. Appraisal Type. In addition to the file format, the type of appraisal report requested will also determine whether an LSAM report can be generated.

a. Currently, LSAM only supports XML files for the Uniform Residential Appraisal Report (Fannie Mae 1004/Freddie Mac Form 70 UAD Version), Manufactured Home Appraisal Report (Fannie Mae 1004C/Freddie Mac Form 70B), Market Conditions Addendum to the Appraisal Report (Fannie Mae 1004MC/Freddie Mac Form 71), Individual Condominium Unit Appraisal Report (Fannie Mae 1073/Freddie Mac Form 465 UAD Version), Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075/Freddie Mac Form 466 UAD Version), and the Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055/Freddie Mac Form 2055 UAD Version).

b. LSAM currently does not support the Small Residential Income Property Appraisal (Fannie Mae 1025/Freddie Mac Form 72) or the Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac Form 442).

The Circular is very extensive and should be referenced for additional information.