

Veterans Benefits
Administration
Circular 26-09-5

Department of Veterans
Affairs
March 31, 2009

Washington, DC 20420

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 minimum property requirements (MPRs) prior to VA Loan Guaranty.

2. Details. Since there has been an increased interest in the purchase of foreclosed properties, VA believes it is important to reaffirm its policies regarding MPRs. As outlined in the VA Lender's Handbook (VA Pamphlet 26-7) Chapter 12, VA requires that all properties, including foreclosed properties, be in a condition that meets our MPRs or that there is a reasonable likelihood the property can be repaired to meet the MPRs prior to loan closing. In those cases where repairs are required, the VA 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 repairs had been completed. The seller is expected to pay for these required repairs since they are included in the estimate of value. It is not allowable to escrow funds from the veteran purchaser for use in making the required repairs. Additionally, to protect both the veteran's and VA's interests, lenders selling a "Real Estate Owned" property may not process this case under our Lender Appraisal Processing Program; these cases must be ordered as an "IND" appraisal.

3. Rescission: This circular is rescinded January 1, 2012.

By Direction of the Under Secretary for Benefits

Mark Bologna, Director
Loan Guaranty Service