

Assisted Appraisal Processing Program (AAPP)

1. **Purpose.** To implement Section 7 of Public Law 116-23, *Blue Water Navy Vietnam Veterans Act of 2019* (the Act). This section authorizes the Department of Veterans Affairs' (VA) Secretary to issue guidance explaining the conditions under which VA permits VA fee panel appraisers to rely on information provided by another person when making appraisals for VA's home loan guaranty program.

2. **Background.** The Act, in relevant part, amends 38 U.S.C. § 3731, the statute under which VA conducts its fee panel appraisal program. Specifically, the Act creates a new subsection (b)(3), which states "[t]he Secretary shall permit an appraiser on a list developed and maintained under subsection (a)(3) to make an appraisal for the purposes of this chapter based solely on information gathered by a person with whom the appraiser has entered into an agreement for such services."

a. **Effective Date.** The Act applies with respect to an appraisal report prepared under section 3731(b)(3), on or after January 1, 2020. Consistent with the Act, VA will not begin accepting an appraisal, as described below, until on or after January 1, 2020.

b. **Implementation.** The Act authorizes the Secretary to issue implementing guidance before prescribing new regulations. VA views this legislation as a unique opportunity to lead the industry in developing an appraisal program that enables VA to better serve Veterans in rural areas and/or reduce overall appraisal turn times while also encouraging more individuals to join the appraisal profession. VA is also sensitive, however, that these goals must be balanced with a number of overarching programmatic objectives:

(1) No person or property is harmed in the collection of information needed for an appraisal under AAPP;

(2) Appraisals and valuations are of the highest quality, protecting the integrity of Veterans' home loan benefits delivery;

(3) VA fee panel appraisers and appraisal reports comply with all applicable Uniformed Standards of Professional Appraisal Practice (USPAP) and VA regulations and policies, as well as any other federal, state, or local requirements; and

(4) VA has oversight in place to identify VA appraisers utilizing the AAPP process, and those appraisal reports will be monitored and reviewed.

3. **Action.** Effective January 1, 2020, VA fee panel appraisers may utilize the AAPP process. Under AAPP, the appraisal report may be completed based solely on information gathered by a person with whom the VA fee panel appraiser has entered into an agreement for such services. It is important to note that VA does not require a VA fee panel appraiser to participate in the AAPP process; such decision is solely at the discretion of the VA fee panel appraiser. A VA fee panel appraiser participating in the AAPP process must continue to follow

all applicable VA statutes, regulations, and policies, as well as the policies and procedures outlined in this Circular.

a. Definitions. For purposes of this Circular, the following definitions apply:

(1) *Appraisal* means an appraisal report authorized under 38 U.S.C. 3731 that complies with USPAP and

(a) That is “non-complex,”

(b) Where the sales price or value is below 1 million dollars, and

(c) That is not for a new construction property.

(2) *Information* means any information that conforms to the standards of USPAP, is necessary to determine reasonable value as defined in 38 CFR 36.4301, and upon which federal housing entities (including VA), prudent lending institutions, informed buyers, and attorneys, generally, in the community in which the property is situated, would rely.

(3) *A person* is an individual who may perform appraisal-related work in compliance with VA policies, USPAP, state, and local laws. This could include, for example, another VA fee panel appraiser licensed in that jurisdiction, a non-VA fee panel appraiser licensed in that jurisdiction, or an appraisal trainee/apprentice registered or otherwise authorized to provide valuations in that jurisdiction. Additionally, the individual must demonstrate to the VA fee panel appraiser that the individual has the ethical and moral character that would not jeopardize the safety of the property or its occupants. Under no circumstances may an individual who is, or has any background as, a registered sex offender qualify under this definition. Evidence to support the ethical and moral character may include, but is not limited to, a criminal and/or financial background check or proof of employment in an industry that requires regular background checks.

(a) To be a person acting in the capacity as an agent of the assigned VA appraiser, the person must be otherwise permitted to sign an appraisal report as “Appraiser” on any of the approved VA forms. This person must understand the certifications, and ramifications thereof, that they will be signing. Such person must also be knowledgeable of all VA requirements and Minimum Property Requirements (MPRs). While acting as an agent of the VA appraiser it is imperative that such person not intentionally or unintentionally mislead any Veteran, real estate agent, lender, or homeowner into believing that he or she is the VA fee panel appraiser assigned to the case.

(4) *Agreement* means a written legal agreement that is legally binding in the jurisdiction(s) in which the person will provide the agreed-upon services. Examples include, but are not limited to, a signed contract or evidence that the person is an employee or agent of the VA fee panel appraiser (i.e., state-registered trainee).

b. Appraisal Order. Lenders will be required to indicate whether the VA appraisal can be prepared under AAPP.

(1) If a lender indicates that AAPP may not be used, the VA fee panel appraiser must not allow another individual to conduct a site visit without the VA fee panel appraiser present.

(2) If a lender indicates that AAPP may be used, the VA fee panel appraiser must comply with the requirements outlined in this Circular. Additionally, the assigned VA fee panel appraiser must put the name of the individual who will be performing the site visit and reviewing comparable sales in the Notes section. Finally, the assigned VA fee panel appraiser must indicate by checking the appropriate box in the VA Web Hub that the appraisal report was prepared under AAPP.

c. VA Fee Panel Appraiser Requirements. As noted above, a VA fee panel appraiser participating in AAPP must continue to follow all applicable VA statute, regulations, and policies, as well as the policies and procedures outlined in this Circular. It is also important to note that any person with whom the VA fee panel appraiser enters into an agreement is acting in the capacity of an agent for the VA fee panel appraiser. In all cases where the VA fee panel appraiser relies on another person for information, the VA fee panel appraiser is ultimately responsible for the character and behavior of that person while that person is conducting business for a VA assignment. In addition to all applicable statutes, regulations, and policies, the VA fee panel appraiser must:

(1) Maintain an Errors & Omission insurance policy in an amount that is reasonable and customary for the appraisal jurisdiction during the period that the VA fee panel appraiser participates in AAPP.

(2) Upon VA's request, provide VA with relevant documents relating to a person who will provide or has provided to the VA fee panel appraiser appraisal-related information under AAPP. This includes, for example, a copy of the agreement and all evidence the VA fee panel appraiser relied upon in determining that such person met the ethical and moral character requirement.

(3) Ensure that the person who provides to the VA fee panel appraiser information under AAPP signs or has signed the appraisal report in the "Appraiser" section of the left side of the appraisal report. The VA fee panel appraiser must sign the appraisal report as the "Supervisory Appraiser." Further, the VA fee panel appraiser must provide a written statement of certification within the appraisal report that contains the following language:

"I participated in VA's Assisted Appraisal Processing Program to complete this appraisal report. The final opinion of value for the subject property is based upon my supervisory status and analysis of all available information. The person who provided information to me to assist in the opinion of value is: **Full name (First/Middle/Last), license number, date of expiration, state of issuance of the person.** I take full responsibility for any errors in and/or omissions from this appraisal report."

(4) Pay all fees charged by a person who provides a VA fee panel appraiser with information under AAPP.

(5) Remain fully responsible for all loss, damage, or other harm caused by the person whom they are in agreement with. The person providing information to the VA fee panel appraiser is to acknowledge in the report that he or she is knowledgeable in all VA requirements for Minimum Property Requirements (MPRs). By participating in AAPP, the VA fee panel appraiser also acknowledges that the VA fee panel appraiser remains responsible for ensuring against significant violations of USPAP; VA statutes, regulations, or policies; or any other federal, state, or local requirements. If such a violation does occur, either by the VA fee panel appraiser or the person providing information under AAPP, and results in any loss, damage, or other harm, the VA fee panel appraiser may be at risk of a substantive finding, reduction of work assignments, suspension from the program, or removal from the VA appraisal panel upon a review and conclusions of VA.

(6) Note in the VA systems, before a scheduled site visit takes place, that a person other than the VA fee panel appraiser will be conducting such site visit. The VA fee panel appraiser must communicate to the point of contact (i.e., real estate agent, Veteran, etc.) who is conducting the site visit and that such person is working with and on behalf of the VA fee panel appraiser.

(7) The VA fee panel appraiser is required to make all site visits on complex properties, homes equal to or greater than 1 million dollars in sales price or value, and new construction properties.

(8) To reduce risk of the program and to ensure quality, VA may limit the VA fee panel appraiser on quantity of weekly appraisal assignments or on geographical areas covered. Each VA Regional Loan Center will determine the limitations within its own jurisdiction, based on VA need, complaints related to a VA fee panel appraiser, or a person that the VA fee panel appraiser relies upon for information, and other issues that could adversely affect Veterans, the Government, or individuals who are indirectly affected by AAPP (e.g., a homeowner who is in a contract to sell a home to a Veteran).

(9) The VA fee panel appraiser and anyone providing the VA fee panel appraiser with information under AAPP is required to understand and follow guidance from USPAP Advisory Opinions (AO), with particular attention to AO 2, 21, and 31.

d. Prior Approval. VA does not intend at this time to establish an approval process specific to individuals who provide information under AAPP. VA also does not at this time intend to maintain specific lists of individuals who provide information under AAPP, other than what is annotated in WebLGY notes in accordance with the procedures outlined in this Circular.

e. Tidewater Value Cases and Reconsideration of Value Cases. In instances that Tidewater may apply, the assigned VA fee panel appraiser may only contact the lender to invoke Tidewater if he/she has performed the site visit of the subject property and verified the condition of the property. If the assigned VA fee panel appraiser did not conduct the site visit, the VA fee panel appraiser must make a site visit to the subject property at no additional fee to the lender or Veteran. VA fee panel appraisers utilizing the AAPP process must continue to adhere to VA's timeliness policy.

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Circular 26-19-31

4. Rescission: This Circular is rescinded December 31, 2021.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Director, Loan Guaranty Service

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