

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

1. Purpose. The purpose of this Circular is to announce the Department of Veterans Affairs (VA) new 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. VA awarded the new AMS contract to Veros. Currently, CoreLogic is providing the AMS for purchases, refinances, Lender Appraisal Processing Program (LAPP) and Servicer Appraisal Processing Program (SAPP) appraisal orders. CoreLogic currently provides a scoring of all appraisals through an in-depth evaluation of the appraisal report by a robust analytic process. This process will be transitioned to Veros, with the same level of appraisal scoring and evaluation.

a. To continue oversight, standardize the appraisal review process, and increase efficiency through access to market data, VA's new contractor, Veros, provided VA with an AMS that includes the VeroSCORE product.

b. On March 2, 2020, VA and Veros launched internal usage of VeroSCORE for VA Staff to use in the appraisal review process. The initial phase was instituted to better understand the integration between Veros and VA systems while providing VA staff an opportunity to view and comment on VeroSCORE before it is implemented for the LAPP/SAPP SARs on May 4, 2020.

c. Since VeroSCORE's implementation, VA staff have been using it in the review process for VA-issued NOVs. As a VA risk management tool, VeroSCORE will be made available to LAPP/SAPP SARs on May 4, 2020.

3. Appraisal Format. VA will continue to require that all VA appraisal reports are uploaded into WebLGY in Mortgage Industry Standards Maintenance Organization (MISMO) compliant Extensible Markup Language (XML) file format including an embedded portable document format (PDF) file.

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 XML file to the Regional Loan Center (RLC) of jurisdiction with a clear explanation regarding appraisal upload failure. Once received, VA staff will upload the XML appraisal file; however, this

option should only be used in rare instances when the appraiser cannot upload the XML file into WebLGY. Where this becomes an ongoing issue, VA staff will take action with the appraiser to ensure future compliance with VA requirements. It is important to note that, like CoreLogic's LSAM, a VeroSCORE report is only retrieved from Veros if the uploaded appraisal file is an XML file with an embedded PDF. A VeroSCORE report will NOT be retrieved if only a PDF appraisal is uploaded.

b. 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 a VeroSCORE review. Therefore, 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 a VeroSCORE report can be generated. Currently, VeroSCORE 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), Small Residential Income Property Appraisal (Fannie Mae 1025/Freddie Mac Form 72), 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).

5. VeroSCORE. VeroSCORE does not provide an estimate of value or make decisions for the LAPP/SAPP lenders. In addition, VeroSCORE does not accept or reject appraisals or characterize them as "good" or "bad."

a. Once the appraiser uploads the XML file into WebLGY, VeroSCORE will review the entire appraisal, checking every field and examining for any inconsistencies. VeroSCORE then validates the appraisal, applying over 1,000 rules that evaluate the quality and valuation risk associated with the uploaded appraisal. Once the VeroSCORE is complete, it is delivered back to WebLGY and available for review as an embedded hyperlink. It is required that LAPP/SAPP SARs take a VeroSCORE webinar or computer-based training (CBT) course so that SARs can be familiar with the VeroSCORE report sections. See Training section below for more information.

b. Every appraisal made for VA purposes must be reviewed either by VA staff or a LAPP/SAPP SAR prior to issuance of the NOV. SARs will perform administrative reviews according to VA appraisal requirements and must use VeroSCORE as a tool to ensure appraisals are accurate, complete, and that the property is properly valued to VA-accepted appraisal principles and practices.

c. As a rules-based system, VeroSCORE will assist SARs in finding inconsistencies by flagging such items as potentially problematic and determining whether the appraisal is

compliant with VA appraisal requirements, industry-accepted appraisal principles and methodologies, and Uniform Standards of Professional Appraisal Practice (USPAP).

d. Situations may arise when VeroSCORE is not available or temporarily delayed in being uploaded into WebLGY due to system issues. In cases where timeliness or other demands require issuance of the NOV prior to a VeroSCORE being available, SARs should enter in WebLGY notes, that the VeroSCORE was not available. In this situation, the SAR must perform a comprehensive review.

6. Appraisal Reviews. Depending on numerous factors, appraisal reviews may vary. A general approach to the appraisal review process can be used when leveraging VeroSCORE. SARs are a critical part of the review process and are ultimately responsible for performing due diligence to investigate, analyze, and verify the procedures used in the appraisal to ensure that the appraisal report results in a credible value opinion prior to issuance of the NOV.

a. VeroSCORE provides VA with the opportunity to continue the two-tiered (low risk and high risk) appraisal review process.

(1) Low risk appraisals are defined as appraisals with an Overall Risk Score of 800 or above. During a cursory review, SARs shall review the Report Header, Scoring Summary, VA Specific Alerts Section and Data Integrity within the Credibility Section of the VeroSCORE. SARs shall review the appraisal sales comparison grid looking for any inconsistencies and review the subject and comparable sales photos to ensure that the appraisal meets additional VA appraisal requirements, such as minimum property requirements (MPRs), property eligibility, and local conditions. Any inconsistencies and resulting remedial actions must be noted in WebLGY notes section. Generally, if there are no inconsistencies and the appraiser produced a credible appraisal report, SARs may issue the NOV.

(2) High risk appraisals are defined as appraisals with an Overall Risk Score of 799 and under. In this case, a comprehensive review of the appraisal and VeroSCORE are required. SARs should perform a comprehensive review of the VeroSCORE and appraisal to ensure that other VA requirements such as MPRs, local conditions, and eligibility are met per VA requirements. SARs must document their findings/conclusions in the WebLGY notes section for any high-risk report prior to issuing the NOV. **Note:** an appraisal that is resubmitted as a result of such review may continue to fall within the parameters of High Risk. However, with proper documentation, this may be considered acceptable in the judgment of the SAR. An example would be a complex property or a proposed/new construction home which would return little or no useful VeroSCORE data and would create an Overall Risk score below 799. Sometimes, a lack of meaningful VeroSCORE data will support the appraiser's contention that market data was limited resulting in a high-risk appraisal. As a guideline, the VeroSCORE report sections can be used in the following ways to assess the risk level of an appraisal.

(a) The Report Header/Summary should be reviewed to confirm the loan identification

number (LIN), address and other appraisal details match the appraisal undergoing the review process. This first step will identify if there are any conflicts with the subject address, effective date, and opinion of market value of the appraisal.

(b) The Scoring Summary should be reviewed to assess the main areas of risk with the appraisal. First, determine where the main areas of risk are within the appraisal by reviewing the Overall Risk Score. If the Overall Risk Score indicates a high risk, a comprehensive review of the VeroSCORE report and appraisal may be necessary. If the Overall Risk Score indicates the appraisal is low risk, a review of the VeroSCORE alerts and a cursory review of the appraisal may be sufficient.

(c) The VA Specific Alerts section should be reviewed to identify any high-risk alerts that fired during the VeroSCORE report creation process. This section will drive follow-up research into the Completeness, Compliance and Credibility sections for high-risk appraisals. Each alert that is triggered will provide SARs with recommended actions to take regarding the risk being highlighted by the alert during the review process. Some alerts are critical in nature (high/severe risk) and may require action, while others (medium/significant or low/moderate risk) are intended more as a warning to make SARs aware of the potential issue with the appraisal. The VeroSCORE report also has a Key Findings section that may indicate alerts for the reviewer. Although the Key Findings section may indicate that a severe alert exists, this will not drive SAR's review. The VA Specific Alerts section drives follow-up research. However, the Key Findings information may be considered with a high-risk appraisal as supplemental support during the SAR's review to determine if appraiser revisions are necessary. The triggered alerts and corresponding recommended actions are not to be systemically cleared by the appraiser, but rather are meant to highlight risk that SARs should consider with their appraisal review prior to issuing the NOV. SARs must not make demands on appraisers or provide instructions based solely on automated VeroSCORE alerts. SARs must use their own due diligence according to VA appraisal requirements in combination with VeroSCORE feedback. VA will actively monitor SARs who are asking appraisers to change their appraisal reports based solely on VeroSCORE feedback without further due diligence.

(d) The Completeness, Compliance and Credibility sections must be reviewed only when the VeroSCORE indicates the appraisal is in a high-risk status (Overall Risk Score of 799 and below). The Completeness, Compliance and Credibility sections (public records, MLS data, additional sales, and market area data) can be very beneficial when trying to determine the accuracy of an appraisal.

b. During a comprehensive or cursory review, all High/Severe Alerts in VA Specific Alerts section and all Critical, Severe and High alerts in the Data Integrity sub-section of the Credibility section and/or resubmissions of appraisals must be documented in WebLGY note section of the specific case. VA periodically will readjust the alert risk profile and corresponding recommended actions as needed to comply with industry-accepted appraisal principles and methodologies, VA appraisal requirements, and USPAP standards.

c. VeroSCORE availability is dependent on the integration and communication between VA and Veros computer systems. From time to time, either or both systems may not be fully operational due to system maintenance or high network traffic volume. Generally, XML files will be batch processed to Veros every 5-10 minutes on a 24-hour a day cycle. It is recommended that if WebLGY displays a status message that the “VeroSCORE Report is Pending,” SARs should wait 5 – 10 minutes for the Pending VeroSCORE. In the event that there is an error message or there is a WebLGY system issue, the SAR must follow the guidance in paragraph 5 d, above. **Note:** WebLGY will display status messages regarding VeroSCORE.

7. Training. VeroSCORE webinar/live training will be provided for all SARs. The SAR VeroSCORE training course delivers interactive, comprehensive, role-specific training to ensure SARs are aware of all aspects of the VeroSCORE report. In addition, user guides will be available to ensure SARs have the necessary skills and knowledge to perform their appraisal review function within the AMS environment. In the future, all SAR applicants and transferees with preliminary approval must complete SAR VeroSCORE training prior to receiving final approval.

a. Pre-Registration Required. In order to attend the webinar/live SAR AMS VeroSCORE training course for credit by VA, SARs must be pre-registered two days prior to the training session and have a valid six-digit VA SAR Identification (ID) number. You may choose between four dates for the webinar/live training by clicking on the link for the session that you would like to attend below. Please only choose one session to attend, to ensure that others are able to attend a session.

(1) Session 1 - April 20, 2020: 9:00 AM – 10:30 AM EST
(<http://vbalgy.adobeconnect.com/verosamsforsars/event/registration.html>)

(2) Session 2 – April 20, 2020: 1:00 PM EST – 2:30 PM EST
(<http://vbalgy.adobeconnect.com/verosamsforsars-session2/event/registration.html>)

(3) Session 3 – April 22, 2020: 9:00 AM – 10:30 AM EST
(<http://vbalgy.adobeconnect.com/verosamsforsars-session3/event/registration.html>)

(4) Session 4 – April 22, 2020: 1:00 PM – 2:30 PM EST
(<http://vbalgy.adobeconnect.com/verosamsforsars-session4/event/registration.html>)

(5) Session 5 – April 24, 2020: 9:00 AM – 10:30 AM EST
(<http://vbalgy.adobeconnect.com/verosamsforsars-session5/event/registration.html>)

(6) Session 6 – April 24, 2020: 1:00 PM – 2:30 PM EST
(<http://vbalgy.adobeconnect.com/verosamsforsars-session6/event/registration.html>)

(7) Session 7 – April 27, 2020: 9:00 AM – 10:30 AM EST

(<http://vbalgy.adobeconnect.com/verosforsars-session7/event/registration.html>)

(8) Session 8 – April 27, 2020: 1:00 PM – 2:30 PM EST

(<http://vbalgy.adobeconnect.com/verosforsars-session8/event/registration.html>)

b. Once a SAR has registered, VA will email the approved SAR webinar login information. SARs that are registered, will receive the link to the webinar/live training.

c. SARs are strongly encouraged to attend one of the eight live sessions. If a SAR is unable to attend a live session, the SAR AMS VeroScore training course will be made available at a later date.

d. Certificate of Completion. At the conclusion of the SAR AMS VeroSCORE training, VA will provide registered participants with a certificate of completion.

e. User Guides. In addition, VeroSCORE user guides will be made available soon.

8. Help Desk Procedures. Following the deployment of any new application, areas of concern will arise. We are making every effort to address all identified issues, so we can continue to provide outstanding service to our industry partners. We sincerely appreciate your continued support and patience.

a. VA issues regarding the use and interpretation of VeroSCORE, should first be handled by the RLC of jurisdiction by email. A list of RLCs is located at http://www.benefits.va.gov/HOMELOANS/contact_cv.asp or by telephone at 1-877-827-3702. C&V management personnel will determine whether to elevate the issue to VA Central Office for final resolution.

b. Any questions about being or becoming an approved SAR for their current lender/employer, or about their SAR ID number, may e-mail SAR Support at SARSUPPORT.VBACO@va.gov.

c. For all VA LGYHUB and WebLGY system related issues such as XML, VeroSCORE file error messages, SARs must direct their email inquiries to LGYPMDISupport.VBAVACO@va.gov.

9. Action. Effective October 1, 2020, SARs will be held accountable for performing review work in accordance with this Circular. This will allow SARs a transition period from the date of this Circular through September 30, 2020, to obtain training and become proficient in the use of the VeroSCORE with their appraisal reviews.

10. Rescission. This Circular is automatically rescinded March 1, 2022.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Director, Loan Guaranty Service

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