

10.08 New Construction

Definition Construction Exhibits and Inspections

To be eligible for appraisal as “new construction”, the property must be fully completed or completed except for customer preference items (such as, interior wall finishes, floor covering, appliances, fixtures and equipment, etc.) and those improvements for which escrows are permitted (**Reference:** See Section 9.09). This eliminates the need for construction exhibits.

Note: For properties which do not meet the criteria for appraisal as “new construction”, **Reference:** See Section 10.05 (“Proposed or Under Construction” and “Existing Construction”).

Neither construction exhibits nor VA or HUD inspections during construction are required for properties appraised as “new construction”.

Note: Appraisal without VA or HUD inspections during construction is a privilege available only to builders who routinely provide good quality construction. Builders who are required to obtain VA or HUD inspections during construction will be notified by VA in writing. VA, not lenders, will monitor builder compliance with this restriction.

Construction Warranty

Properties appraised as “new construction” must be covered by either

- a one-year VA builder’s warranty, or
- a ten-year insurance-backed protection plan.

If the builder will provide a one-year VA builder’s warranty, then both of the following will be required

- the veteran purchaser’s written acknowledgment that, “I am aware that VA did not inspect this property during construction and that VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported in writing during the one-year VA builder’s warranty period.” **Reference:** See Section 13.06, “Not Inspected Acknowledgment.”
 - a one-year VA builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction. **Reference:** See Section 13.06, “Construction Warranty”.
-

Continued on next page

New Construction Error! Bookmark not defined., Continued

Construction Warranty, Continued

If the builder will provide a ten-year insurance-backed protection plan, then both of the following will be required

- the veteran purchaser's written acknowledgment that, "I am aware that VA did not inspect this property during construction and that it does not qualify for VA assistance with construction complaints." **Reference:** See Section 13.06, "Not Inspected Acknowledgment".
- evidence of enrollment of the property in a ten-year insured plan acceptable to HUD. **Reference:** See Section 13.06, "Ten Year Insured Protection Plan".

Exception: An exception may be made for a veteran who wishes to purchase a new home from a builder who is not more than occasionally involved with VA financing and will not provide either a one-year VA builder's warranty or a ten-year insured protection plan. In that situation, all of the following will be required:

- the veteran purchaser's written acknowledgment that, "I am aware that this property does not qualify for VA assistance with construction complaints, since it was not inspected by VA during construction. I am also aware that this new property will not be covered by either a one-year VA builder's warranty or a ten-year insured protection plan, as is normally required in this situation."
 - the builder's written certification that, "This company is not more than occasionally involved with VA financing and is aware that this property is being accepted without any VA-required warranty on an exception basis only upon the request of the veteran purchaser. The dwelling was constructed according to standard building practices and is in conformity with all applicable building codes and complies with the energy conservation standards of the 1992 Council of American Building Officials Model Energy Code," **and**,
 - the lender obtains a copy of documentation issued by the local building authority to verify that construction was acceptably completed, such a final inspection or occupancy permit. Where local authorities do not perform building inspections, the builder must certify in writing that "The dwelling was not inspected during construction by any State, county or local jurisdiction."
-

10.09 Proposed or Under Construction

Individual vs. “Master” Appraisals

Properties can be appraised prior to the start or completion of construction either

- individually, or
 - as a group of 5 or more on a “master” appraisal. Each model or house type is appraised at the same time by the same fee appraiser on a separate appraisal report. All of the properties are included on the same *VA Master Certificate of Reasonable Value*.
-

Construction Exhibits

Construction exhibits must be provided with the request to appraise properties as “proposed or under construction”. **Reference:** See Sections 10.04 and 10.10.

Construction Inspections

Properties appraised as “proposed or under construction” must be inspected by VA or HUD during construction (**Reference:** See Chapter 14).

The purpose of the inspection(s) is to help ensure that the property

- is built according to the construction exhibits used in the appraisal, and
- meets VA Minimum Property Requirements for proposed construction (**Reference:** See Section 12.02).

Only a final inspection is required if either

- the property is to be covered by a ten-year insured protection plan (**Reference:** See “Construction Warranty” below), or
- VA can rely on local building authority inspections in lieu of first and second stage VA inspections (**Reference:** See Section 14.03).

Note: VA acceptance of only a final VA or HUD inspection during construction is a privilege available only to builders who routinely provide good quality construction. Builders who are required to obtain a full complement of inspections during construction will be notified by VA in writing. VA, not lenders, will monitor builder compliance with the restriction.

Continued on next page

10.09 Proposed or Under Construction, Continued

Construction Warranty

In every case processed as proposed or under construction, the builder must provide the veteran home buyer with a one-year VA builder's warranty on VA Form 26-1859, Warranty of Completion of Construction.

If only a final VA or HUD inspection is made during construction (*Reference:* See "Construction Inspections" above), a ten-year insured protection plan acceptable to HUD is also required (unless the builder provides evidence of local building authority inspections acceptable to VA in lieu of VA first and second stage inspections per Section 14.03).

Reference: See Section 13.06, "Construction Warranty".

Determining the Type of Warranty

Use the table below to determine the type of warranty required.

When the property is appraised as...	...then...
existing construction	no warranty is required.
new construction	either: <ul style="list-style-type: none"> • 1 year builder's warranty is required, or • a 10 year insured protection plan is required.
proposed or under construction with a full complement of VA inspections	only a 1 year builder's warranty is required.
proposed or under construction (with only a final VA inspection and local inspections are accepted in lieu of VA first and second stage inspections per Section 14.03)	only a 1 year builder's warranty is required.
proposed or under construction (with only a final VA inspection and local inspections are not accepted in lieu of VA first and second stage inspections per Section 14.03)	<ul style="list-style-type: none"> • both a 1 year builder's warranty, and • a 10 year insured protection plan are required.

10.10 Construction Exhibits

General Requirement

Construction exhibits are required for properties appraised as “proposed or under construction”. They are **not** required for properties appraised as either “new construction” or “existing construction.”

Required Exhibits

Each set of proposed construction exhibits must include

- specifications on VA Form 26-1852, Description of Materials, signed and dated by the builder in all cases and by the veteran when one is under contract in an individual case processed as “proposed or under construction”. Other specification formats are also acceptable, provided they are signed and dated by the builder and veteran as described above and are sufficiently detailed for VA appraisal and compliance inspection purposes.
- plot plan which includes the location of the well/septic systems, if applicable.
- all exterior building elevations.
- foundation or basement plan.
- plan of all floors.
- sectional wall details.
- a certification signed and dated by a technically qualified and properly identified individual (such as, builder, architect, engineer, etc.) which states, “I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials’ Model Energy Code and the requirement for lead-free water piping.” VA will accept HUD Form 92541, Builder’s Certification of Plans, Specifications and Site, in lieu of this certification.

Note: In most cases for HUD Form 92541 to be acceptable, it must have the identifying information at the top completed, as well as Items 2 and 4 or Items 5, 6, 9, 10, 12 and 13.

Continued on next page

10.10 Construction Exhibits

Continued

Number and Distribution of Exhibit Sets

If inspections during construction are to be made by

- VA, then two sets of construction exhibits are required. *Reference:* See Section 10.04 (Step 3), regarding distribution details.
- HUD, then only one set of construction exhibits is required. The appraisal requester will include that set with the assignment notice to the appraiser.

Reduced-Size Plans

VA highly recommends the use of reduced-size construction drawings to save reproduction, mailing and storage costs for all parties involved. Building plans, elevations and details, traditionally drawn at ¼ inch scale and larger, can be photographically reduced or computer-drawn to be clearly readable on 8½ by 14 inch sheets.

While VA will currently accept 11 by 17 inch sheets, this size is not compatible with standard industry scanner equipment generally available to VA and program participants. Therefore, this size is discouraged and in the future may be eliminated as an option. Other exhibits normally provided in an 8½ by 11 inch format (such as specifications, certifications, etc.) must not be further reduced.

Changes to Exhibits

Reference: See Section 14.07 for information about changing the construction exhibits after they are used for VA appraisal purposes, but prior to loan closing.

10.10 Construction Exhibits **Error! Bookmark not defined.**, Continued

“Master” Appraisals

In addition to the other requirements in this section, a “master” appraisal request must include **the following:**

- Plat showing the locations of each lot or unit to be included in the appraisal,
 - completed VA Form 26-1843b, Master Certificate of Reasonable Value Worksheet, and
 - Building Program Statement, which includes:
 - total number of dwellings to be built in the project
 - number of dwellings contemplated in the primary construction phase, and anticipated starting and completion dates of that phase
 - arrangements regarding the construction, dedication and maintenance of streets and utilities, and
 - information regarding any special assessments to be assumed by purchaser.
-

Property to be Altered/ Improved/ Repaired

Reference: See Section 10.05.

Veteran as Contractor

Reference: See **Section 10.04, Step 3.**

Continued on next page

10.10 Construction Exhibits **Error! Bookmark not defined.,**

Continued

Modular Construction

In addition to the other requirements in this section, an appraisal request involving modular construction must include either

- evidence of coverage by a HUD structural engineering bulletin, or
- a certification of approval by the State in which the unit is fabricated. This requirement will be made a condition of the VA value notice if not submitted with the appraisal request.

Manufactured Home Classified as Real Estate

Any case in which the foundation has not been fully completed and the manufactured home unit installed is considered to be “proposed or under construction.”

In those cases, each set of construction exhibits must include

- specifications for the foundation and a plot plan as required for conventional site-built homes
- in double-wide homes, a detail of the mating line piers, if applicable
- a foundation plan showing the location and a cross-sectional detail of the supporting piers. In all cases, include drawings of the foundation anchorage details.
- a floor plan of the unit and exterior elevation drawings/photographs of the front and rear of the home, unless the unit is physically located on the site to be appraised or the appraiser has access to the unit on the dealer’s lot. These may be provided in the manufacturer’s advertising or technical installation manual.
- in States or localities that require the underside of the unit to be completely enclosed, details of the perimeter enclosure that comply with those requirements.
- since site conditions vary considerably from location to location, any revision needed to information provided in the manufacturer’s technical installation manual in order to comply with local requirements.
- appropriate construction exhibits for any other on-site improvements, such as decks, enclosed patios, garages and carports, etc., to be financed with the loan proceeds.

Continued on next page

10.10 Construction Exhibits

Continued

Manufactured Home Classified as Real Estate (continued)

- a certification signed and dated by a technically qualified and properly identified individual (such as builder, architect, engineer, etc.) which states, "I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping." VA will accept HUD 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification.

Note: In most cases for HUD Form 92541 to be acceptable, it must have the identifying information at the top completed, as well as Items 2 and 4 or Items 5, 6, 9, 10, 12 and 13.

Reference: See Section 12.02 for specific Minimum Property Requirement-related information that could impact what is required in the construction exhibits.

Geological or Soil Instability

In areas that have a history of geological or soil instability, the builder must submit either

- a certification that to the best of the builder's knowledge and belief, any geological or soil-related hazard has been compensated for in the engineering design of the improvements and no portion of the construction will rest on fill, or
- evidence from a qualified geologist or engineer that the subject site either does not present unusual geological soils-related hazards or such hazards have been compensated for in the engineering design of the improvements.

Qualified geologists are State licensed or are a member of a national or State organization which requires responsibility, experience, education and demonstrated ability in the field of engineering geology.

Continued on next page

10.10 Construction Exhibits **Error! Bookmark not defined.**, Continued

If Inspections to be Made by HUD

If HUD will make the inspections during construction, the appraisal request must include

- The construction exhibits required above, except for the certification regarding those exhibits.
- The certification directly above item 38 on VA Form 26-1805.
- A certification by the builder or lender that the construction exhibits submitted to VA, including any HUD-accepted change orders, are identical to those submitted to HUD.
- A copy of the final HUD inspection report countersigned by HUD or a HUD Direct Endorsement underwriter, or a letter from HUD that the property has been completed in accordance with the approved plans and specifications and acceptable change orders, if any. This requirement will be made a condition of the VA notice of value if not submitted with the appraisal request.
- If the final HUD inspection report stipulates that certain incomplete work, such as street improvements, will be completed according to requirements specified by HUD elsewhere, a copy of the documentation that states those requirements must be furnished. In that situation, there must also be a VA-approved escrow agreement and a subsequent VA or HUD re-inspection report or other acceptable evidence of satisfactory completion. The veteran cannot be charged the cost of that re-inspection.

If there is a question about HUD consistency with VA in the interpretation and application of VA/HUD Minimum Property Requirements, the VA field station may impose a VA inspection, at an appropriate inspection stage, in addition to the HUD inspections.
