Understanding VA Appraisal Requirements for Your Home Purchase

What the VA Looks for in a Property Appraisal

When you use a VA loan to buy a home, the property must meet certain standards set by the Department of Veterans Affairs. These standards are known as VA appraisal requirements, and they go beyond simply determining the market value of the home. The appraisal also checks that the property is safe, structurally sound, and sanitary. This process is a key part of the VA loan program, designed to protect both the veteran buyer and the lender.

Many first-time homebuyers assume an appraisal is just about the price. With a VA loan, however, the appraiser also evaluates the property condition against the VA's minimum property requirements (MPRs). If the home fails to meet these standards, the loan cannot go through until the issues are resolved. Understanding what these requirements are and how they affect your purchase can save you time, money, and frustration.



How VA Appraisal Requirements Differ From Conventional Loans

A conventional loan appraisal primarily focuses on market value. The appraiser compares the home to similar properties that have recently sold to determine what it is worth. While the condition of the home matters, conventional appraisers have more flexibility. They might note minor defects without requiring repairs, as long as the home is habitable and the value supports the loan amount.

VA appraisals are stricter. The appraiser must confirm that the property meets the VA's MPRs. These requirements cover a range of issues, from the condition of the roof and foundation to the presence of lead-based paint hazards. The goal is to ensure the home is move-in ready and will not pose health or safety risks to the veteran and their family. This means that even a home that would pass a conventional appraisal might fail a VA appraisal if it has certain defects.

What the Appraiser Checks: Minimum Property Requirements

The VA's minimum property requirements are designed to protect the veteran. They are not meant to be overly burdensome, but they do set a baseline for what is acceptable. Here are the main areas the appraiser will examine:

- **Safety:** The home must be free of safety hazards. This includes things like broken stairs, missing handrails, exposed wiring, and unsafe porches or decks. Any condition that could cause injury must be corrected.
- **Structural integrity:** The roof, foundation, walls, and floors must be sound. Signs of structural defects, such as sagging roofs, cracked foundations, or bowing walls, will need to be addressed before the loan can close.
- **Mechanical systems:** Heating, plumbing, and electrical systems must be in working order. The home must have a permanent heat source capable of maintaining a temperature of at least 50 degrees Fahrenheit in the living area. The water heater, furnace, and major appliances must function properly.
- **Water and sanitation:** The home must have a safe and adequate water supply, whether from a public system or a private well. The sewage system must be functional and not pose a health hazard. This includes checking for leaks, proper drainage, and the condition of septic systems.
- **Pest and rot issues:** The appraiser will look for evidence of wood destroying insects, such as termites or carpenter ants, as well as dry rot or fungus. Active infestations or significant damage must be treated and repaired.

These are just the most common items. The appraiser will also check for adequate access to the property, including a driveway or road that is usable year-round. The home must also have

enough living space, typically at least 400 square feet, and a separate bathroom and kitchen.

What Happens When a Property Doesn't Meet Requirements

If the appraiser finds that the property does not meet the MPRs, the lender will not be able to proceed with the loan as-is. The buyer, seller, or both parties must agree to fix the problems before closing. There are a few ways this can play out:

- **Repairs before closing:** The seller can agree to make the necessary repairs. The appraiser may need to return to verify that the work was completed satisfactorily. This is the most common approach.
- **Repair escrow:** In some cases, the buyer can complete the repairs after closing. The lender will set aside funds from the loan in a repair escrow account. The buyer uses this money to pay for the work, and the appraiser verifies completion within a set timeframe. This option is not available for all types of repairs, especially those related to safety or structural issues.
- **Renegotiation or cancellation:** If the seller refuses to make the repairs and the buyer cannot afford them, the contract may be cancelled. The buyer can then look for another property.

It is important to note that the VA does not require the home to be perfect. Minor cosmetic issues, like worn carpet or peeling paint (unless it is lead-based paint in older homes), are generally not a problem. The focus is on health, safety, and structural soundness.

How the Appraised Value Affects Your Purchase

Beyond the condition of the home, the appraised value plays a critical role in your purchase. The VA loan is based on the appraised value, not the purchase price. If the appraised value comes in lower than the agreed-upon price, you have a problem. The lender will only lend up to the appraised value, meaning you must make up the difference in cash or renegotiate the price with the seller.

For example, if you agree to pay $250,000 for a home but it appraises for $240,000, the VA loan will only cover $240,000. You would need to bring $10,000 in cash to make up the difference, or the seller could lower the price to $240,000. This situation is known as a low appraisal, and it is not uncommon in competitive markets. Having an appraisal contingency in your purchase contract can protect you in this scenario, allowing you to walk away without losing your earnest money.

Working with a professional who understands these nuances can make a significant difference. Carlos Scarpero, VA Mortgage Specialist, NMLS 1674385 can help you navigate the

appraisal process and understand your options if issues arise. Their expertise in VA loan requirements ensures that you are prepared for what the appraiser will look for and how to handle any problems that come up.



Preparing for the Appraisal

As a buyer, you cannot control what the appraiser finds, but you can take steps to prepare. Before you make an offer, consider having a home inspection. A good inspector will identify many of the same issues the VA appraiser will look for, such as structural defects, pest problems, and mechanical system failures. If the inspection reveals significant issues, you can either ask the seller to fix them before the VA appraisal or walk away from the deal.

You can also ask your real estate agent to look for homes that are likely to meet VA requirements. Newer homes, homes that have been well-maintained, and homes that have recently been renovated are usually safer bets. Older homes, especially those that have been vacant for a while, are more likely to have issues with utilities, pests, or structural integrity.

Finally, stay in close communication with your lender. They can review the appraisal report with you and explain exactly what needs to be done. They will also coordinate with the appraiser if a reinspection is needed after repairs are made. Being proactive and informed will help you avoid delays and keep your closing on track.

Common Misconceptions About VA Appraisals

There are a few myths about VA appraisals that can cause unnecessary worry. One common misconception is that the VA requires the home to be in perfect condition. As mentioned, this is not true. The requirements are about safety, health, and structural soundness. A home with cosmetic flaws can still pass.

Another myth is that VA appraisals take much longer than conventional appraisals. In reality, the timeline is similar. The difference is that the VA appraiser must complete a more detailed report, but this rarely adds significant time to the process. The bigger variable is the availability of appraisers in your area and the complexity of the property.

Some buyers also worry that the VA will require them to pay for repairs that are not their responsibility. Again, this is not the case. The responsibility for repairs is negotiated between the buyer and seller. The VA simply sets the standard that must be met. If the seller will not make the repairs, the buyer can either pay for them (if allowed under the contract) or cancel the deal.

Understanding these realities can help you approach the appraisal with confidence. If you have questions about a specific property or situation, consulting a knowledgeable professional is always a good idea. **Carlos Scarpero, VA Mortgage Specialist, NMLS 1674385** can provide guidance tailored to your circumstances, helping you understand how VA appraisal requirements apply to your home purchase.

What This Means for You

The VA appraisal is a protective measure, not an obstacle. It ensures that the home you are buying with your VA loan benefit is safe and livable. While it can introduce some additional steps into the homebuying process, it ultimately helps you avoid buying a property that would be a financial and personal burden. By understanding the requirements and working with experienced professionals, you can navigate the appraisal smoothly and move into your new home with peace of mind.