



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION
SINGLE FAMILY HOUSING



Welcome to...
Office of Single Family Housing
Appraisal Review and Reconsideration of Value Update

Today's webinar begins at 2:00 PM (Eastern)

We will be underway shortly

Please test your speakers and choose Audio source (computer/smartphone or telephone) by selecting desired option in **Audio Settings** – see left side of toolbar at bottom of screen.



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Q&A Session

- Webinar registrants were invited to submit questions in advance.
- The presentation team will address those questions at the end of the presentation.
- Participants may submit typed questions using the Q & A tab.
- Additional questions should be directed to the FHA Resource Center.



Contact FHA Resource Center

- Online at: www.hud.gov/answers.
- Via email at: answers@hud.gov.
- Via phone at: 1-800-Call-FHA (1-800-225-5342)

Persons with hearing or speech impairments can access their state's telecommunications relay system (TRS) to make TTY calls by dialing 7-1-1.



Documents/Materials & Training Evaluation

Documents/Materials:

- Click **Chat** icon or **Landing Page** – select *Webinar Documents/Materials* link for copy of presentation.

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- Click on **Chat** icon or **Landing Page** – select *Survey* link.



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v



Helpful Links

Click **Chat** icon or **Landing Page** – select links to bookmark:

- FHA Single Family Housing main page:
https://www.hud.gov/program_offices/housing/sfh.
- FHA FAQ page:
<https://www.hud.gov/FHAFAQ>.
- Single Family Housing Archived Webinars (On Demand) page:
https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars.





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Single Family Program Development

Appraisal Review and Reconsideration of Value Update

August 8, 2024

Presented by:

Barbara Leslie, Director, Home Valuation Policy Division

Brian Barnes, Deputy Director, Home Valuation Policy Division



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Disclaimer

The purpose of this presentation is to provide an overview and summation of recent changes to Federal Housing Administration (FHA) policy. It introduces and explains official policy issued in Department of Housing and Urban Development (HUD) Handbooks and Mortgage Letters (ML). If you find a discrepancy between the presentation and Handbooks, MLs, etc., the official policies prevail. Please note, the information provided in this training is subject to change.

The information in this presentation is current as of the May 20, 2024, publication of HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1), and ML 2024-07 published on May 1, 2024.

Please consult HUD Handbooks and MLs through HUD's Client Information Policy Systems ([HUDCLIPS](#)) for the most recent updates and current policy.



Agenda

Background

Overview of Policy

Important Dates and System Changes

Resources

Q&A



Background



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4



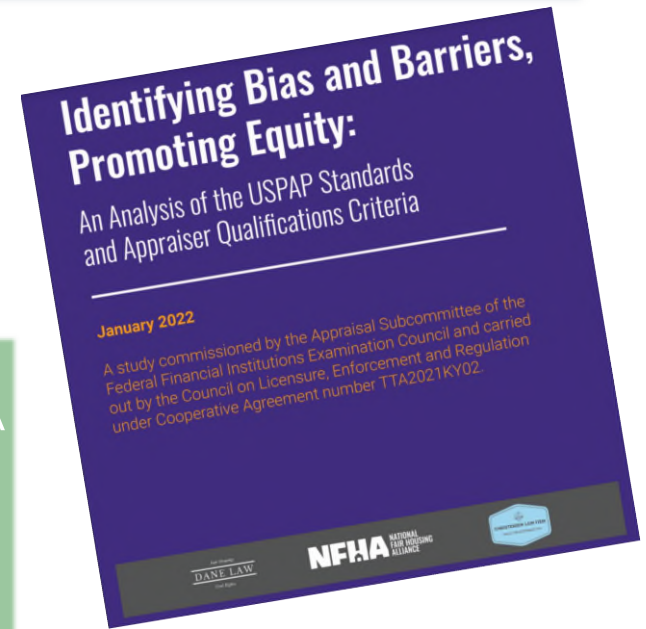
PAVE Action Plan Commitments



Action 1.3 Issue guidance and implement new policies to improve the processes by which a valuation may be reconsidered if the initial valuation is lower than expected.

Action 4.6 Inform Federal Housing Administration (FHA) borrowers about the process to request a reconsideration of a valuation (ROV) when the initial valuation is lower than expected.

HUD will require FHA lenders to track usage and outcomes of ROVs and to report this data to FHA via FHA systems, leveraging insight from VA's existing ROV process where helpful, so that HUD can better identify patterns of ROV usage and evaluate the impact ROVs might have on possible discrimination.



Draft Mortgage Letter Posted on the Drafting Table

January 2023 Draft Mortgage Letter, Borrower Request for Review of Appraisal Results was posted for feedback on the FHA Drafting Table.

Feedback was supportive.

Some desired greater specificity while others sought a more flexible approach.

Consistently stressed the need for industry collaboration and alignment of the agencies.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-0000

ANNUNCIATORY REQUEST FOR FEEDBACK
FEDERAL RESERVE BOARD/REGULATORY

Date: XXXX, 2022

Mortgage Letter 2022-XX

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Resistor Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Approved Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents.

Subject: Borrower Request for Review of Appraisal Results

Purpose: This Mortgage Letter (ML) establishes a process for Mortgagees when a Borrower requests a review of the appraisal results associated with their application for an FHA-insured mortgage.

Effective Date: The provisions of this ML must be implemented for FHA case numbers assigned on or after **Month XX, 2022**.
All updates will be incorporated in a forthcoming update of the HUD Handbook 4000.1, FHA Single Family Housing Policy Handbook (Handbook 4000.1).

Public Feedback: HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at fmwars@hud.gov. HUD will consider the feedback in determining the need for future updates.

Affected Programs: These changes apply to FHA Single Family Title II Forward and Home Equity Conversion Mortgage (HECM) Programs.

Comments
to the
U.S. Department of Housing & Urban Development
regarding
A Proposed Mortgage Letter on Borrower Requests
for Review of Appraisal Results
FHA INFO 2023-01 (Jan. 3, 2023)
by
Consumer Action, Long Island Housing Services, Inc., Mountain State Justice, Inc.,
NAACP Legal Defense and Educational Fund, Inc. (LDF), National Coalition for
Asian Pacific American Community Development (National CAPACD), National
Community Reinvestment Coalition, National Community Stabilization Trust,
National Consumer Law Center (on behalf of our low-income clients), National Fair
Housing Alliance, New Jersey Institute for Social Justice, UnidosUS, and Woodstock
Institute



Overview of Policy



Impacts of Reconsideration of Valuation Policy on Stakeholders

Enhances Borrower Awareness

- Notifies the borrower that they may request an appraisal Reconsideration of a Valuation (ROV)
- Educates borrowers with instructions on how to appeal and what is required

Industry Alignment and Expectations

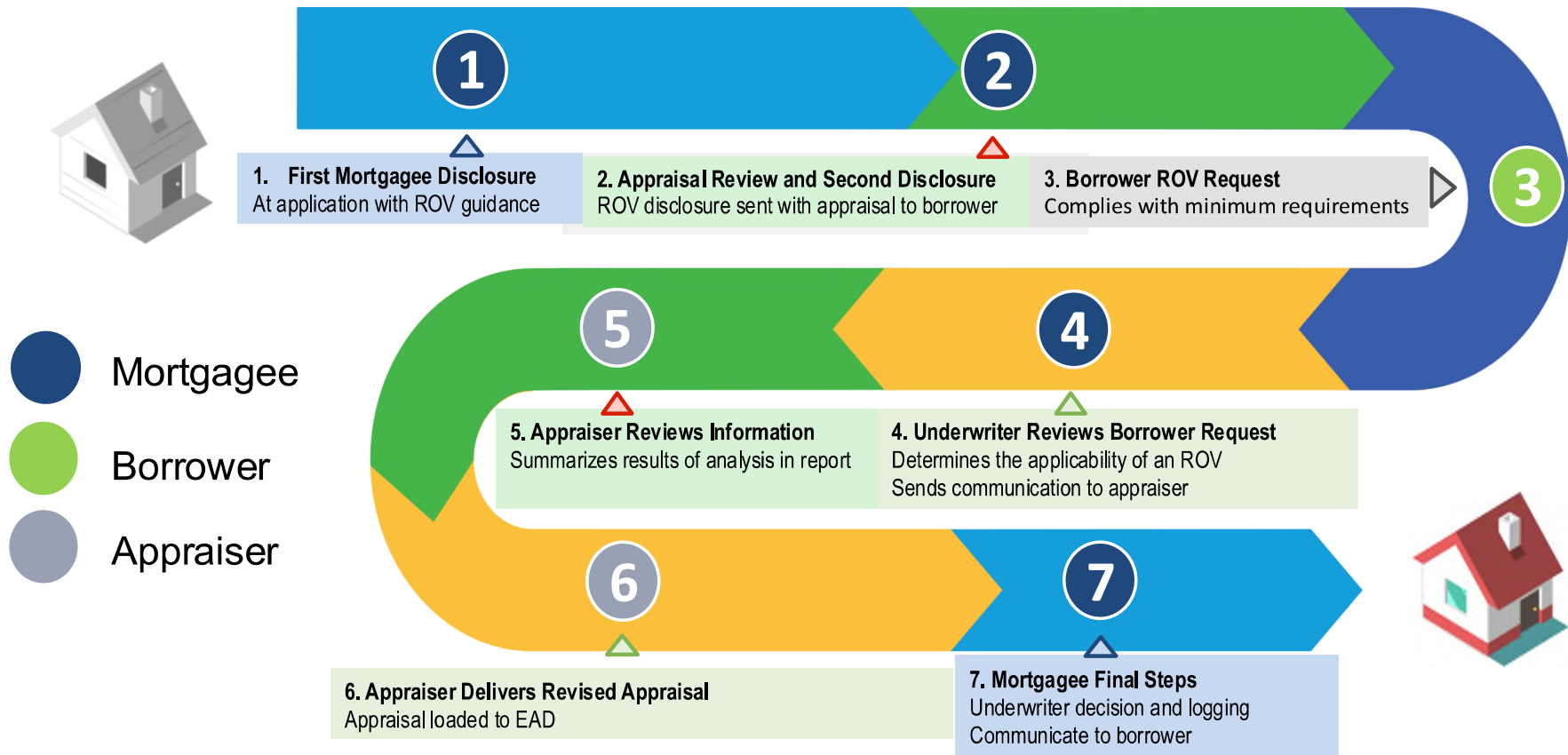
- Alignment with FHA and Government-Sponsored Enterprises (GSEs) ROV policies
- Framework of principles-based requirements fosters uniformity while maintaining flexibility
- Establishes certain minimum requirements

Greater Transparency

- Consistent documentation standards and FHA system data collection



Reconsideration of Value Process Flow



Mortgagee Requirements

Appraisal Review

- Mortgagee Underwriter must review the appraisal.
 - Appraisal must be Complete, Accurate and Credible.
- Underwriter must be trained to identify deficiencies including prohibited discriminatory practices.
- Protocols for remediating deficiency must include:
 - General corrections, explanations, substantiation
 - Reconsideration of Value
 - Second Appraisal

Review Process and all communication with Appraiser must conform with Appraiser Independence.



Mortgagee Requirements (cont.)

General Reconsideration of Value

An ROV refers to a request from the Mortgagee's underwriter to the Appraiser to re-assess the appraisal report based upon information that may affect the value conclusion.

- Minimum requirements for communication with the appraiser
 - Include a description of the area(s) in the appraisal report and all the additional information that require the Appraiser's response;
 - Provide detailed information, data, or relevant comparable sales as available;
 - Only include relevant comparable sales as of the effective date of the appraisal; and
 - Not include more than five alternative comparable sales.
- No costs associated with an ROV may be charged to the Borrower.
- The resolution of the ROV must be completed prior to loan closing.



Mortgagee Requirements (cont.)

Borrower-Initiated ROV

The Mortgagee must establish an appeal process for when a borrower believes appraisal is inaccurate or deficient.

- Must provide an easy-to-understand borrower disclosure with processing instructions and expected ROV processing times. Disclosure must specify what information will be required from a borrower and any limitations on the information allowed (maximum of five alternative comparables and one ROV per appraisal).
 - Must establish protocols for communicating the status, updates, and final resolution with the borrower (must be in writing).
- If the borrower-initiated ROV request is unclear, deficient, or requires additional information, the Mortgagee must remediate with the Borrower, as applicable.

All documentation associated with an ROV must be retained in the case binder.



Mortgagee Requirements (cont.)

Borrower-Initiated ROV Disclosure

The Mortgagee must provide an easy-to-understand disclosure at mortgage loan application and upon delivery of the appraisal report to the Borrower with instructions that explains:

The borrower-initiated ROV process;

The expected ROV processing times;

The process for requesting clarifications; and or corrections unrelated to the value conclusion.



Mortgagee Requirements (cont.)

Borrower-Initiated ROV Communications

The Mortgagee must provide the borrower the following communications in writing:

Acknowledging receipt of the ROV request;

Instructions on how to correct an incomplete ROV request;

Updates on the status of the ROV request; and

The results of the ROV request.



Mortgagee Requirements (cont.)

Updates to Ordering a Second Appraisal

When the underwriter considers the Appraiser unable to resolve material deficiencies due to the nature of the deficiency, they may forgo communication with the Appraiser before obtaining a second appraisal.

The Mortgagee must report appraisals replaced due to material deficiencies to the applicable State Appraiser Regulatory Agency.



Mortgagee Requirements (cont.)

Other Important Notes

Quality Control Plan

- Standards for the appraisal review and the ROV process must be clearly defined in the Mortgagee's Quality Control (QC) Plan.

Applicable Programs

- Applies to FHA Single Family Title II forward and Home Equity Conversion Mortgage (HECM) programs.



Appraiser Expectations

Responding to ROV Request

Underwriter must:

- thoroughly assess all borrower-initiated ROV requests before communicating with appraiser.
- provide only relevant and appropriate information, as of the effective date.

Appraiser must:

- summarize the analysis of the information and outcome.
- respond in a revised version of the appraisal.



Important Dates and System Changes



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18



Important Dates and System Changes

Mortgagee Letter 2024-07

Published May 1, 2024

- Appraisal Review and ROV Updates
- Provisions in the ML may be implemented immediately but must be implemented for FHA case numbers assigned on or after October 31, 2024

FHA Connection (FHAC)

- Change to Endorsement information section of the Insurance Application screen
- New Section: *Borrower Request for Appraisal Review Information*
- Required for Cases assigned on and after October 31, 2024



System Changes and Effective Date

Example of New Section as Shown on the Insurance Application Screen

*** Borrower Request for Appraisal Review Information ***

A Request for Review of Appraisal Results was received from the Borrower:

What was the basis for the Review? (select all that apply):

<input type="checkbox"/> Inadequate comparable properties	<input type="checkbox"/> Complaint that the appraisal was influenced by prohibited bias
<input type="checkbox"/> Factual or other errors or omissions	<input type="checkbox"/> Other (specify): <input type="text"/>

How did the Mortgagee resolve the request? (select one):

- The Underwriter resolved without further action. Sufficient detail must be retained in Case Binder.
- The Underwriter submitted a Reconsideration of Value request to the Appraiser. The revised version of the appraisal with the Appraiser's response was logged in FHAC.
- The Underwriter determined the Appraisal was materially deficient. A Second Appraisal was obtained and logged in FHAC.
- Other (specify):

The FHAC B2G submission requirements accommodate the new data fields. Refer to the [B2G Interface webpage](#) for technical requirements.



Resources



Helpful Links

- SF Handbook 4000.1 Information
https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1
- Upcoming Single Family Housing Events and Training
https://www.hud.gov/program_offices/housing/sfh/events
- Subscribe to FHA INFO
https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe
- HUD's Client Information Policy Systems (HUDCLIPS)
<https://www.hud.gov/guidance>



FHA Resource Center

	Option	Point of Contact	Hours Available	Comments
1	FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2	Email	answers@hud.gov	24/7/365	
3	Telephone	1-800-CALLFHA (1-800-225-5342) Information on how to make an accessible phone call: https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs .	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.



Q & A



Thank you for joining us today!

