



ASSISTANT SECRETARY FOR HOUSING  
FEDERAL HOUSING COMMISSIONER

**Date: November 17, 2021**

**Mortgagee Letter 2021-27**

**To:** All FHA-Approved Mortgagees  
All Direct Endorsement Underwriters  
All Eligible Submission Sources for Condominium Project Approvals  
All FHA Roster 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** Appraisal Fair Housing Compliance and Updated General Appraiser Requirements

---

**Purpose** On June 1, 2021, President Biden announced the creation of an interagency initiative to address inequity in home appraisals. The initiative, entitled the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) seeks to harmonize across federal agencies to root out discrimination and bring about systemic change in the appraisal and homebuying process. As one effort to address discrimination in the appraisal process, this Mortgagee Letter (ML) clarifies FHA's existing requirements for Appraisers and Mortgagees regarding compliance with Fair Housing laws related to the appraisal of properties that will serve as security for FHA-insured mortgages.

---

**Effective Date** This guidance is effective immediately.

All policy updates will be incorporated into a forthcoming update of the Department of Housing and Urban Development (HUD) Single Family Housing Policy Handbook (Handbook 4000.1).

---

**Affected Programs** These changes apply to all FHA Single Family Title II Forward and Reverse Mortgage Programs.

---

**Background** HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing

---

### **Background,** *Continued*

market to bolster the economy, protect consumers, and build inclusive and sustainable communities free from discrimination. HUD plays a major role in supporting homeownership for lower- and moderate-income families through its mortgage insurance programs. Federal fair housing requirements flow from the 1968 passage of the Fair Housing Act and its subsequent amendments, in addition to other civil rights laws. As noted in Executive Order 13985, “[a]ffirmatively advancing equity, civil rights, racial justice, and equal opportunity is the responsibility of the whole of our Government.” Promotion of economic opportunity and fair housing is at the core of HUD and FHA’s role. To that end, HUD seeks to advance equity for all, including individuals who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality.

HUD expects all parties engaged in FHA mortgage insurance programs to eliminate all considerations of race, color, national origin, religion, sex, familial status, or disability from the appraisal process including considerations of race or national origin of the homeowner, homeowner’s neighbors, and the racial composition of neighborhoods where comparable properties are identified. HUD expects all parties engaged in FHA mortgage insurance programs to comply with all antidiscrimination laws, rules, and requirements in the performance of their duties, including full compliance with the relevant provisions of:

- Title VIII of the Civil Rights Act of 1968, as amended (Fair Housing Act);
- the Fair Credit Reporting Act, Public Law 91-508; and
- the Equal Credit Opportunity Act (ECOA), Public Law 94-239 and 12 CFR Part 202.
- 5 CFR 5.105(a)(1) and (2)

The Fair Housing Act prohibits discrimination based on race, color, national origin, religion, sex, familial status, and disability in the sale, rental, or financing of housing, and in other housing-related activities, including discrimination against individuals seeking a mortgage or housing assistance. The Fair Housing Act also requires HUD and its program participants to affirmatively further the purposes and policies of the Fair Housing Act. Cognizant of HUD’s duty to promote fair housing in FHA insurance programs and the critical role that the Appraiser plays, the Handbook 4000.1 guidance is being updated with reinforcing language in multiple sections to further emphasize FHA’s expectations for the Appraiser and the Mortgagee to be knowledgeable about and to comply with all applicable anti-discrimination laws, including the Fair Housing Act as it relates to appraisals.

---

**Summary of Changes**

This Mortgagee Letter:

Updates Section I.B.1.d.i *Appraisers Post-Approval Requirements* to emphasize compliance with all applicable laws including the Fair Housing Act and all other federal, state, and local antidiscrimination laws.

Adds clarifying language to Section II.A.3.a.v, *Quality of Appraisal* to emphasize the requirement for the Mortgagee to ensure the appraisal complies with all applicable laws including the Fair Housing Act and all other federal, state, and local antidiscrimination laws.

Restructured Section II.D.2, *General Appraiser Requirements* into subsections to include and clarify guidance specific to Nondiscrimination Policy; and compliance with FHA guidelines and Appraiser Conduct.

---

**Single Family Housing Policy Handbook 4000.1**

**Post-Approval Requirements (I.B.1.d.i)**

**i. Compliance with Law**

The Appraiser's performance must comply with all applicable federal, state, and local laws, including the Fair Housing Act and other federal, state, or local antidiscrimination laws. The Appraiser must adhere to all state and local laws relating to appraisal, licensing, and certification requirements.

**Appraisal Review (II.A.3.a.v)**

**v. Quality of Appraisal**

The Mortgagee must evaluate the appraisal and ensure it complies with the requirements in Valuation and Reporting Protocols, any additional appraisal requirements that are specific to the subject Property, and complies with all applicable federal, state, and local laws, including the Fair Housing Act and other federal, state, or local antidiscrimination laws.

**General Appraiser Requirements (II.D.2)**

**a. Nondiscrimination Policy**

The Appraiser must be knowledgeable of and fully comply with all federal, state, and local laws, including any antidiscrimination laws, rules applicable to the subject property, or any provisions of the Fair Housing Act.

No part of the appraisal analysis or reporting may be based on the race, color, religion, sex, actual or perceived sexual orientation, actual or perceived gender identity, age, actual or perceived marital status,

---

**Single Family  
Housing Policy  
Handbook  
4000.1,  
Continued**

disability, familial status, national origin of either the prospective owners or occupants of the Property, present owners or occupants of the Property, or the present owners or occupants of the properties in the vicinity of the Property, or on any other basis prohibited by federal, state, or local law.

**b. Compliance with FHA guidelines and USPAP**

The Appraiser must follow FHA guidance and comply with the Uniform Standards of Professional Appraisal Practice (USPAP) when completing appraisals of Property used as security for FHA-insured Mortgages. The Appraiser must observe, analyze, and report that the Property meets HUD's Minimum Property Requirements (MPR) and Minimum Property Standards (MPS).

Minimum Property Requirements refer to general requirements that all homes insured by FHA be safe, sound, and secure.

Minimum Property Standards refer to regulatory requirements relating to the safety, soundness, and security of New Construction.

Every Property must be safe, sound, and secure so that the Mortgagee can determine eligibility. The Appraiser must note every instance where the Property is not safe, sound, and secure and does not comply with HUD's MPR and MPS.

When performing an appraisal, the Appraiser must review and analyze the following:

- the land lease, if applicable; and
  - surveys or legal descriptions, if available; and
  - any other legal documents contained in the loan file;
- and report the results of that analysis in the appraisal report.

**c. Appraiser Conduct**

The Appraiser must perform all FHA appraisal assignments in a competent, independent, impartial, and objective manner. The Appraiser must avoid practices that could affect the reliability of the appraisal report opinions and conclusions. In addition to compliance with USPAP, including the Competency Rule, the Appraiser must not:

- discriminate in developing any part of the appraisal or value conclusion based on characteristics that are protected by federal, state, or local laws;
- misrepresent the scope of work performed in the completion of the FHA appraisal; or
- develop or communicate an appraisal report to FHA that is knowingly misleading or fraudulent.

**Single Family  
Housing Policy  
Handbook  
4000.1,  
Continued**

**d. Sales Transaction or New Construction**

When performing an appraisal for a sales transaction or on New Construction, the Appraiser must also review and analyze the following:

- the complete copy of the executed sales contract for the subject; and
- documents related to New Construction, including plans, specifications, and any exhibits provided that will assist the Appraiser in determining what is to be built, or, if now Under Construction, what will be built when finished;

and report the results of that analysis in the appraisal report.

If the seller is not the owner of record, the Appraiser must include an explanation in the appraisal report.

---

**Paperwork  
Reduction Act**

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB Control Numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0595; 2502-0600; and 2502-0610. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.

---

**Questions**

Any questions regarding this Mortgagee Letter may be directed to the FHA Resource Center at 1-800-CALL-FHA. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339. For additional information on this Mortgagee Letter, please visit [www.hud.gov/answers](http://www.hud.gov/answers).

---

**Signature**

Lopa P. Kolluri  
Principal Deputy Assistant Secretary  
Office of Housing – Federal Housing Administration