

FHA INFO #18-41
September 28, 2018

FHA Single Family Housing



NEWS

TO: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All FHA Roster Appraisers
All HUD-Approved Housing Counselors
All Other Interested Stakeholders in FHA Transactions

NEWS AND UPDATES

Changes to Appraisal Submission and Assessment for Home Equity Conversion Mortgage Originations

Today, the Federal Housing Administration (FHA) announced changes to the appraisal requirements for its Home Equity Conversion Mortgage (HECM) program. Read today's [Press Release](#).

The changes described in [Mortgagee Letter \(ML\) 2018-06, Home Equity Conversion Mortgage \(HECM\) Program — Changes to Appraisal Submission and Assessment for All HECM Originations](#), are necessary to ensure that appraised values for properties secured by a HECM are accurate, which protects both the borrower and the Mutual Mortgage Insurance Fund (MMIF).

This ML specifies that FHA will perform a risk assessment of appraisals submitted for use in new HECM originations. Based on the outcome of that assessment, FHA may require a second appraisal be obtained prior to approving the reverse mortgage for insurance endorsement. Under the new policy, mortgagees must not approve or close a HECM before FHA has performed the collateral risk assessment and, if required, a second appraisal is obtained.

If FHA communicates that a second appraisal is required, the mortgagee must use the lower of the two appraisal values to underwrite the loan. The cost of the second appraisal, if required, is then eligible to be financed as part of the HECM closing costs.

This policy becomes effective for all HECM originations with FHA case numbers assigned on or after October 1, 2018, through September 30, 2019. FHA will review the impact of these new appraisal requirements throughout the fiscal year to determine whether such requirements should be extended beyond fiscal year 2019.

ML 2018-06 also describes the interim procedures that will be in place beginning October 1st, until the fully automated protocols become operational on or before December 1, 2018. If the automated protocols are in place prior to December 1st, FHA will communicate this updated information to its stakeholders through its standard communications channels.

[Quick Links](#)

- Review [ML 2018-06](#) and all other MLs on hud.gov at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee
- View all Press Releases at: https://www.hud.gov/press/press_releases_media_advisories

Resources

Contact the FHA Resource Center:

- Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.
- E-mail the FHA Resource Center at answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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