FHA Announces Revisions to Property and Appraisal Quality Control Review Requirements

Today, the Federal Housing Administration (FHA) published Mortgagee Letter (ML) 2021-17, Revisions to Property and Appraisal Quality Control Review Requirements. The ML updates FHA Single Family Quality Control (QC) requirements for appraisal field reviews and the evaluation of property and appraisal documentation for all FHA Title II Single Family programs.

It also announces the expiration of the December 4, 2020, temporary waiver of Single Family QC requirements for appraisal field reviews. The temporary waiver remains in effect for QC reviews currently in process and for cases selected as part of a mortgagee’s QC review through June 30, 2021.

FHA initially issued the temporary waiver during the COVID-19 pandemic to provide mortgagees with flexibilities when conducting field reviews of appraisals on FHA-insured mortgages selected for monthly QC. The temporary waiver is no longer needed as the nation transitions out of the COVID-19 national emergency.

The ML also revises policy guidance applicable to mortgages selected for property and appraisal QC review on or after July 1, 2021. Specifically, the ML:

- decreases the appraisal field review requirement for early payment defaults from 100 percent to 10 percent;
- reinforces appraisal field review requirements for discretionary targeting and other specific risk factors; and
- clarifies property and appraisal QC review guidelines.

This updated policy guidance is intended to reduce mortgage origination costs and help expand access to mortgage credit to more borrowers while continuing to mitigate risk to FHA through targeted appraisal field review requirements.

The policies announced in today’s ML 2021-17 will be incorporated into a future update of FHA’s Single Family Housing Policy Handbook 4000.1.
Quick Links

- Mortgagee Letters: [https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee](https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee)
- Single Family policy waivers under the “Single Family” section: [hud.gov/program_offices/administration/hudclips/waivers](https://www.hud.gov/program_offices/administration/hudclips/waivers)
- Online or PDF versions of Handbook 4000.1: [hud.gov/program_offices/administration/hudclips/handbooks/hsgh](https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgh)

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- 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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