



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date:** XXXX, 2022

**Mortgagee Letter 2022-XX**

**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

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**Subject** Borrower Request for Review of Appraisal Results

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**Purpose** This Mortgagee 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.

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**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 into a forthcoming update of the HUD Handbook 4000.1, FHA Single Family Housing Policy Handbook (Handbook 4000.1).

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**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 [answers@hud.gov](mailto:answers@hud.gov). HUD will consider the feedback in determining the need for future updates.

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

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**Background**

On June 1, 2021, President Biden announced the creation of an Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) to combat bias in home appraisals. FHA is committed to strengthening safeguards against unlawful discrimination in residential property valuations and is taking multiple actions to enhance information, process, and documentation requirements with regard to this important issue. This includes issuing guidance to improve the process by which FHA program participants may request a reconsideration of the valuation of a property if the initial valuation is lower than expected.

To increase consumer awareness of the option to request a review of the results of an appraisal, FHA is adding a disclosure to the Homebuyer's Copy of form HUD-92800.5B Conditional Commitment Direct Endorsement Statement of Appraised Value.

The PAVE Action Plan notes the importance of providing clear guidance to Mortgagees regarding reconsideration of value (ROV) processes. The ROV process is part of the FHA-insured mortgage lifecycle defined as Loan Administration. FHA policy for Operational Compliance in Handbook 4000.1 Section V.A.2.b details Mortgagee requirements for personnel training in all aspects of Loan Administration and Quality Control practices for which the Mortgagee is responsible.

Current FHA guidance allows an underwriter to request an ROV when the Appraiser did not consider information that was relevant on the effective date of the appraisal. ROVs under this existing procedure can be initiated at the request of a prospective borrower. However, FHA has not previously clarified standards for Borrower-initiated requests for review of an appraisal. Therefore, FHA is updating the existing ROV standards to add specific guidance to process and document a Borrower-initiated review of the appraisal results.

In addition to the ROV process, existing FHA policy permits Mortgagees to obtain a second appraisal in cases where material deficiencies in the appraisal are documented and the appraiser is unable or unwilling to resolve them. HUD recognizes that material deficiencies may include instances of illegal bias or discrimination; therefore, the list of examples of material deficiencies in Handbook 4000.1 is being expanded to include such occurrences.

Further, to inform FHA about the frequency and outcomes of cases involving borrower-initiated requests for review of appraisal results, FHA is adding mandatory fields to the FHA Connection (FHAC) Insurance Application and HECM Insurance Application screens to collect information related to Borrower-initiated requests for review of appraisal results.

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**Summary of Changes**

This Mortgagee Letter:

- Expands the list of examples of material deficiencies in section II.A.1.a.iii(B)(9)(a) *Second Appraisal by Original Mortgagee*
  - Retitles and updates section II.A.3.a.v *Quality of Appraisal*
  - Retitles and updates section II.A.3.a.viii *Reconsideration of Value*
  - Adds a new section II.A.3.d *Borrower Requests for Review of Appraisal Results*
  - Updates section II.D.2 *General Appraiser Requirements* to add subsection II.D.2.e *Reconsideration of Value Requests*
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**Single Family Housing Policy Handbook 4000.1**

**II.A.1.a.iii(B)(9)(a)**

**(a) Second Appraisal by Original Mortgagee**

A second appraisal may only be ordered if the Direct Endorsement (DE) underwriter (underwriter) determines that the first appraisal is materially deficient, and the Appraiser is unable or uncooperative in resolving the deficiency. The Mortgagee must fully document the deficiency and status of the appraisal in the mortgage file. The Mortgagee must pay for the second appraisal.

Material deficiencies on appraisals are those deficiencies that have a direct impact on value and marketability. Material deficiencies include, but are not limited to:

- failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house;
- reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal;
- fraudulent statements or conclusions when the Appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy and/or thoroughness of the appraisal submitted to the client; and
- indications of unlawful bias in the Appraisal or other violations of applicable local, state, or federal fair housing and nondiscrimination laws.

### II.A.3.a. Property Acceptability Criteria

#### v. Appraisal Review and Quality of Appraisal

The underwriter must review the appraisal and ensure that it is complete, accurate, and provides a credible analysis of the marketability and value of the Property.

The underwriter must ensure the appraisal complies with the requirements in Valuation and Reporting Protocols (II.D.4), any additional appraisal requirements that are specific to the subject Property, and all applicable federal, state, and local laws, including the Fair Housing Act and other federal, state, or local antidiscrimination laws.

The underwriter must determine if:

- the original appraisal is acceptable without further action,
- the appraisal is materially deficient (see Second Appraisal by Original Mortgagee (II.A.1.a.iii(B)(9)(a)), or
- a Reconsideration of Value (II.A.3.a.viii) is appropriate.

#### viii. Reconsideration of Value

A Reconsideration of Value (ROV) refers to the underwriter's request for the Appraiser to review the accuracy and completeness of the Property information, analysis, or market data that was relevant on the effective date of the appraisal. The underwriter may request an ROV and must provide the Appraiser with all relevant data that is necessary for a reconsideration of value.

If an ROV is requested, the Appraiser's response must be included in a revised version of the appraisal, which must be uploaded into FHA's Electronic Appraisal Delivery (EAD) portal and logged in FHA Connection (FHAC). The Appraiser may charge an additional fee if the relevant data was not available on the effective date of the appraisal. If the unavailability of data is not the fault of the Borrower, the Borrower must not be held responsible for the additional costs. The effective date of the appraisal is the date the Appraiser inspected the Property.

#### II.A.3.d Borrower Requests for Review of Appraisal Results

##### (1) Definition

Borrower Requests for Review of Appraisal Results refers to a Borrower-initiated request for the Mortgagee to review the accuracy and completeness of the Property information, analysis, or market data relevant on the effective date of an appraisal.

**(2) Standard**

The Mortgagee's underwriter must review all Borrower Requests for Review of Appraisal Results.

The underwriter must review the appraisal in accordance with the requirements for Appraisal Review and Quality of Appraisal (II.A.3.a.v.).

**(3) Required Documentation**

The Mortgagee must retain the request for review of appraisal results, the results of the review, and the response provided to the Borrower in the case binder.

The Mortgagee must complete the Borrower Request for Review of Appraisal Results information on the Insurance Application and HECM Insurance Application screens in FHA Connection (FHAC).

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

**e. Appraiser Response to Reconsideration of Value Requests**

The underwriter may request a ROV from the Appraiser and the Appraiser must:

- review all appropriate property information and market data received from the underwriter that is relevant on the effective date of the appraisal, including additional property sales or listings, and
  - summarize the analysis of all additional information provided by the underwriter within a revised version of the appraisal report.
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**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; 2502-0524; 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; 2502-0610; and 2502-0611. 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.

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**Questions**

Any questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALL-FHA, [answers@hud.gov](mailto:answers@hud.gov), or [www.hud.gov/answers](http://www.hud.gov/answers). The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

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**Signature**

Julia R. Gordon  
Assistant Secretary for Housing –  
FHA Commissioner

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