

Announcement #24-97

Date: October 18, 2024

FHA Appraisal Review and Reconsideration of Value Updates

Effective for new casefiles assigned on and after October 31, 2024, FHA is introducing new appraisal review requirements, expanding reconsideration of value (ROV) requirements for underwriters, and a new borrower-initiated reconsideration of value process to enhance consistency and transparency when issues or deficiencies within the appraisal are perceived by the borrower. Pennymac is aligning with these changes.

Appraisal Review

- Clarifying material deficiencies include potential violations of fair housing laws or professional standard related to non-discrimination
- Adding a reminder for lenders to ensure underwriters completing the appraisal review are trained to identify appraisal deficiencies which include prohibited discriminatory practices.
- Updating protocols for remediating deficiencies.

General Reconsideration of Value

- Expanding and clarifying expectations for the underwriter's communication with the appraiser for ROV requests which includes, but is not limited to, the following guidance:
 - Description of areas of concerns and additional information that requires the appraiser's response.
 - Providing detailed information, data, and/or relevant comparable sales data, as applicable.
 - When comparable sales are provided, comparables must be relevant based on the effective date of the appraisal and no more than five alternative comparables sales may be provided.
- Requiring the appraiser's response to the ROV be included within the revised version of the report and logged in FHA Connection (FHAC).
- Retaining all documentation associated with the ROV within the case binder which includes all written communication between the lender, the borrower, the appraiser, and any other parties involved in the request.

Borrower-Initiated ROV

Correspondents are expected to establish an appeal process for the borrower that includes steps for the borrower to receive a copy of the appraisal report and request an ROV when the borrower believes the appraisal report is inaccurate or deficient. Process must include, but is not limited to:

- Providing an easy-to-understand disclosure at mortgage loan application and upon delivery of the appraisal report to the borrower with instructions includes, but is not limited to:
 - Explanation of the borrower-initiated ROV process
 - Expected ROV processing times, and the process for requesting clarifications or corrections unrelated to the value conclusion
 - Specifies the process for submitting the ROV request
 - Details what information will be required from a borrower
 - Describes any limitations on the information allowed (e.g., up to five alternative comparable sales for consideration; only one borrower-initiated ROV request is permitted per appraisal)

- Protocols for communication with the Borrower, including the following communications, which must be in writing:
 - Acknowledging receipt of the ROV request;
 - How to correct an incomplete ROV request;
 - Updates on the status of the ROV request; and
 - The results of the ROV request.
- Processes to ensure the Underwriter thoroughly assesses all borrower-initiated ROV requests to determine the applicability of an ROV and the relevance and appropriateness of information before communicating with the Appraiser
- Remediation plan with the borrower when the ROV request is unclear, deficient, or requires additional information.

Refer to FHA Info 2024-24, Info 2024-43, Info 2024-54, Info 2024-70, ML 2024-07, and ML 2024-16 for additional information and complete requirements.

Please contact your Sales Representative with any questions.