

FAQs – ML 09-29 Appraisal Portability

Who Completes the Second Appraisal

Can a different appraiser or appraisal firm complete a second appraisal if required?

Yes. In the first example contained in the mortgagee letter where an appraisal contains material deficiencies as determined by the direct endorsement underwriter for the second lender, it is required that a different appraiser and/or appraisal firm complete the second appraisal. This also applies if the first appraiser or appraisal firm is listed on the second lender's exclusionary list.

Material Deficiencies

What are examples of material deficiencies?

Material deficiencies typically have a direct impact upon value and marketability would include, but are not limited to:

- failure to report readily observable defects that impact the health and safety of the occupants and/or the structural soundness of the home
 - reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales are available, and/or
 - fraudulent statements or conclusions when the appraiser had reason to know or should have known that such statements or conclusion compromise the integrity, accuracy and/or thoroughness of the appraisal submitted to the client
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Circumstances for Ordering Second Appraisals

Under what circumstances may an appraiser accept an assignment to appraise a property for a prospective lender/client when that appraiser has previously completed an appraisal of the same property for another lender/client?

Accepting an assignment from a second potential lender/client is not prohibited by USPAP, assuming any existing confidential information is handled properly. An appraiser cannot disclose the results of a particular assignment, performed for particular lender/client to anyone other than those designated by that lender/client. If there is a new potential lender/client, valuation services performed for the new lender/client would constitute a new assignment and the assignment results would be specific to that new assignment. Therefore, acceptance and performance of the new assignment

by the original appraiser of the same property would not be considered revealing the lender/client's assignment results to the second lender/client, even if the value conclusions were the same (see Advisory Opinion 27, 2008-2009 edition of USPAP).

In situations where a transfer of a FHA case number between lenders becomes necessary and lender A provides a copy of the original appraisal to lender B who wants the appraiser to change the name of the client, may the appraiser readdress the appraisal or transfer a completed appraisal report in order to change the name of client in the appraisal report?

No. In these situations FHA requires that the original appraiser perform a new appraisal assignment (see FAQ #74 and Advisory Opinion # 26 in the 2008-2009 edition of USPAP). The original appraisal and the second appraisal are required to be in the case binder.

Payment for the Second Appraisal

Who pays for the second appraisal?

The lender pays or may pass the cost of the second appraisal to the borrower assuming that actions by the lender did not create a need for the second appraisal.

Ordering Second Appraisals

Which appraisal does the lender rely upon to determine the maximum mortgage amount or if there are repair issues?

As the second appraisal can only be ordered when the first appraisal was materially deficient, the first appraiser is on the second lender's exclusionary list or the first lender failed to provide a copy of the appraisal in a timely manner, the second appraisal must always be relied upon.

Ordering Second Appraisals In FHA Connection

Will the second lender be able to order the second appraisal through FHA Connection or must the lender contact the HOC with jurisdiction to have the first appraisal removed?

Upgrades will be made to FHA Connection (FHAC) to permit the second lender to directly order the second appraisal within FHAC with no assistance/approval from the HOC.

30 day extension on 1st appraisal

Will the 30 day extension be permitted for loans that are to close after the expiration of the appraisal where a valid sales contract is signed or loan approval is given prior to the expiration of the appraisal?

Yes. Per Handbook 4155.2, the lender will have a 30 day extension in order to close the loan when either of these preconditions is present and a second appraisal will not be necessary.

Communication with appraiser

If a case number and a completed appraisal are transferred from Lender A to Lender B, will the underwriter for Lender B be able to communicate with the appraiser?

The second lender is not the client and the appraiser may only discuss macro information such as the market and available comparable sales but cannot discuss anything of a confidential nature regarding the appraisal, which would include specifics of the subject property.

Appraisers on Second Lender's Exclusionary List

If the appraiser of an appraisal that is being transferred from Lender A to Lender B is on Lender B's exclusionary list, how does the lender document this fact?

Lender B must retain documentation in the case binder that an exclusionary list existed at the time of the transfer of the appraisal and provide specific evidence that the appraiser was on such a list at that time and why.

Effective Date of Appraisal

Can the effective date of the appraisal be prior to the case number assignment date?

No, for all case numbers issued on or after February 15, 2010, the effective date of the appraisal must be after the case number assignment date unless the lender certifies, via the certification in the Appraisal Logging Screen in FHA Connection, that the appraisal was ordered for conventional lending purposes but was performed by a FHA Roster appraiser and is being converted to a FHA-insured loan.