

FHA Strengthens its Reconsideration of Value Policy to Help Combat Appraisal Bias

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2024-07, Appraisal Review and Reconsideration of Value \(ROV\)](#). This ML strengthens FHA's existing ROV process as part of HUD's commitment to strengthening safeguards against unlawful discrimination in residential property valuations as outlined in the [Property Appraisal and Valuation Equity \(PAVE\)](#) Interagency Task Force.

This update is the result of FHA's consideration of the feedback received on its January 2023 proposed policy posted to its [Single Family Drafting Table](#), and subsequent engagement with stakeholders and other federal agencies, including the Federal Housing Finance Agency (FHFA), to identify policies that would support a consistent industry-wide framework of minimum standards for the ROV process.

This ML enhances the FHA's current policy with additional and clarified standards for appraisal reviews, including improvements to the process by which borrowers may request an ROV if they identify a problem with the appraisal. The ML requires mortgagees to include a borrower-initiated ROV process meeting certain minimum requirements, including delivery of disclosures to borrowers at loan application and upon delivery of the appraisal with instructions on how to request an ROV. The ML also includes guidance to:

- Ensure that mortgagees properly train their underwriting staff on how to identify appraisal deficiencies, including discriminatory practices;
- Require that a mortgagee's appraisal review process includes protocols for remediating deficiencies;
- Establish limits on the quantity and frequency of ROV information provided to the appraiser with protocols for a mandatory appraiser response; and
- Require mortgagees incorporate these appraisal review and ROV processes into their quality control plans.

The policy announced today addresses key components of the [Action Plan to Advance Property Appraisal and Valuation Equity](#). This Action Plan identified the lack of consistent, industry-wide policies and guidelines related to the ROV process, which has been an obstacle for some borrowers to accessing an ROV when warranted. It also cited a need for greater awareness of the ROV process for consumers.

This policy update will be incorporated into a future version of the [Single Family Housing Policy Handbook 4000.1](#).

The provisions of this ML may be implemented immediately but must be implemented for FHA case numbers assigned on or after September 2, 2024.