

## NOTICE TO ALL CUSTOMERS

### Reconsideration of Value: Fannie Mae, Freddie Mac, Jumbo and FHA Loans

#### Fannie Mae, Freddie Mac and Preferred Jumbo

This bulletin provides details of the Fannie Mae and Freddie Mac (GSEs) new requirements that must be complied with on **Fannie Mae and Freddie Mac Conventional and Jumbo Loans** related to the Reconsideration of Value (ROV) process effective with loan applications dated on and after October 31, 2024.

FLC Bank has established the required processes and procedures to comply with Fannie Mae, Freddie Mac and Jumbo requirements related to the Reconsideration of Value (ROV) process for loans requiring an appraisal report, which also apply to the Preferred Jumbo Product requiring lenders to implement and comply with:

- A disclosure provided to the borrower at the time of the loan application and again upon delivery of the appraisal report detailing that one borrower-initiated ROV is permitted per appraisal, expected turn-time for the request, and instructions and information required to submit a request for an ROV which includes but is not limited to:
  - Borrower information, subject property address, appraiser name, appraisal effective date, and date of ROV request.
  - Identification and description of unsupported, inaccurate, or deficient areas
  - Include additional data, information, and new comparable sales (not to exceed five)
  - Explanation of why new information and data provided supports the ROV
- Establish processes for the lender to review the Borrower's request and resolution procedure if the ROV request submitted by the Borrower is incomplete (as applicable) before submitting the request to the appraiser; provide the borrower the process to request corrections or updates to the appraisal report when the Borrower believes the appraisal report or the appraiser's opinion of value is unsupported, may be deficient due to an unacceptable appraisal practice or reflects discriminatory practices.
- Have a standardized process documenting communication between the borrower, the lender, underwriter and the appraiser about the ROV request and when communicating the ROV resolution.
- Establish reporting requirements for material deficiencies or unacceptable appraisal practices.
- The retention of all documentation and communications related to the initiation and outcome of the ROV in the file.

Non-Delegated Correspondent (NDC) Customers are responsible for establishing their own processes to support these requirements for adherence and provide FLC Bank a copy of the borrower reconsideration of value disclosure provided at time of application and when the appraisal report is delivered to the borrower. Furthermore, Non-Delegated Correspondent (NDC) Customers must provide all written communication associated with the Borrower Initiated ROV between the NDC and the Borrower, the Appraiser, the AMC, and any other parties involved in the ROV process (as applicable) to FLC Bank.

## FHA Appraisal Review and Reconsideration of Value

Effective for New FHA Case Numbers assigned on and after October 31, 2024, FLCBank aligns with FHA's new appraisal review requirements, which include the Borrower to be provided at the time of initial loan application and again upon delivery of the appraisal report a detailed process for the borrower to initiate a ROV with the object to enhance consistency and transparency when the borrower believes there are issues or deficiencies within the appraisal report, in addition to adding specific underwriting responsibilities during the appraisal review process.

- **Appraisal Review:** Reminding underwriters their responsibilities to identify material deficiencies which include potential violations of fair housing laws or professional standard related to non-discrimination and to follow their company's established protocols for remediating appraisal deficiencies.
- **Borrower Initiated Reconsideration of Value (ROV):** Establish processes for the Borrower to request a ROV when the borrower believes the appraisal report is inaccurate or deficient by providing an easy-to-understand disclosure at the time of the loan application and upon delivery of the appraisal report to the borrower with instructions that include:
  - 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,
  - Provide information about what will be required from the borrower,
  - Describe any limitations on the information allowed such as, no more than five alternative comparable sales may be submitted, only one borrower-initiated ROV request is permitted per appraisal.
- Protocols for communication with the Borrower must be in writing and must include:
  - 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.
- 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.
- Have a remediation plan with the borrower when the ROV request is unclear, deficient, or requires additional information.

Non-Delegated Correspondent (NDC) Customers are responsible for establishing their own processes to support these requirements for adherence and provide FLCBank a copy of the borrower reconsideration of value disclosure provided at time of application and when the appraisal report is delivered to the borrower. Furthermore, Non-Delegated Correspondent (NDC) Customers must provide all written communication associated with the Borrower Initiated ROV between the NDC and the Borrower, the Appraiser, the AMC, and any other parties involved in the ROV process (as applicable) to FLCBank.

Resources:

[FHA Mortgage Letter 2024-07](#)

[Freddie Mac 2024-6](#)

[Fannie Mae SEL-2024-03](#)

If you have any questions, please contact your [Account Executive or Client Relations Representative](#).