

September 18, 2009

MORTGAGEE LETTER 2009-29

**TO: ALL APPROVED MORTGAGEES
ALL FHA ROSTER APPRAISERS**

SUBJECT: Appraisal Portability

This mortgagee letter addresses the portability of appraisals for the purpose of facilitating the loan process when a borrower switches from one Federal Housing Administration (FHA) approved lender (first lender) to another (second lender) and an appraisal was ordered by and completed for the first lender. This mortgagee letter will be effective for all case numbers assigned on or after January 1, 2010.

FHA prohibits “appraiser shopping” where lenders order additional appraisals in an effort to assure the highest possible value for the property and/or the least amount of deficiencies and/or repairs are noted and required by the appraiser. However, a second appraisal may be ordered by the second lender under the following limited circumstances:

1. The first appraisal contains material deficiencies as determined by the Direct Endorsement underwriter for the second lender.
2. The appraiser performing the first appraisal is on the second lender’s exclusionary list of appraisers.
3. Failure of the first lender to provide a copy of the appraisal to the second lender in a timely manner would cause a delay in closing, posing potential harm to the borrower.

Potential harm includes events outside the control of the borrower such as loss of interest rate lock, purchase contract deadline, foreclosure proceedings, and late fees.

For cases in 1 and 2 above, the lender must ensure that copies of both appraisals are retained in the case binder. For cases in 3 above, the first appraisal must be added to the case binder when it is received. In all cases, the lender must document why a second appraisal was ordered and retain the explanation in the case binder.

Appraisal Transfer and Change of Client Name in Appraisal Report

In cases where a borrower has switched lenders, the first lender must, at the borrower’s request, transfer the case to the second lender. FHA does not require that the client name on the appraisal be changed when it is transferred to another lender.

In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), the lender is not permitted to request that the appraiser change the name of the

client within the appraisal report unless it is a new appraisal assignment. To effect a client name change, the second lender and the original appraiser may engage in a new appraisal assignment wherein the scope of work is limited to the client name change. A new client name should include the name of the client (lender) and HUD.

Appraiser Selection in FHA Connection

Lenders must assure that the appraiser who actually conducted the appraisal that is used for an FHA-insured mortgage is correctly identified in FHA Connection.

Lender Compliance

Lenders who fail to comply with the requirements set forth in this mortgagee letter will be subject to administrative sanctions.

If you should have any questions concerning this Mortgagee Letter, call 1-800-CALLFHA. Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483)

Sincerely,

David H. Stevens
Assistant Secretary for Housing-
Federal Housing Commissioner

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