

## B4-1.3-12, Appraisal Quality Matters (05/01/2024)

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### Introduction

This topic contains information on appraisal quality matters, including:

- [Changes to the Appraised Value](#)
  - [Guidance on Addressing Appraisal Deficiencies](#)
  - [Lender Requirements](#)
  - [Fannie Mae's Referrals to State Appraiser Boards](#)
  - [Refusal to Accept Appraisals from Specific Appraisers](#)
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### Changes to the Appraised Value

The lender is responsible for confirming that appraisal reports are complete and that any changes to the reports are made to the original report. If the lender has concerns with any aspect of the appraisal that result in questions about the reliability of the opinion of value, the lender must first attempt to resolve its concerns with the appraiser that originally prepared the report. If the lender is unable to resolve its concerns with the appraiser, the lender must obtain a replacement report prior to making a final underwriting decision on the loan. Any request for a change in the opinion of market value must be based on substantive issues and must not be made solely on the basis that the opinion of market value as indicated in the appraisal is incorrect. For information concerning the process lenders must follow to address a change of the opinion of market value, see [Changes to the Appraised Value](#) in this topic.

Lenders must pay particular attention and institute extra due diligence for those loans in which the appraised value is believed to be inflated. If the property has experienced significant appreciation in a short time period since the prior sale, Fannie Mae believes that one of the reasons for this is associated with excessive values or rapid appreciation is by receiving accurate appraisals from knowledgeable, experienced appraisers.

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### Guidance on Addressing Appraisal Deficiencies

If the lender considers an appraisal deficient, it has the following options for addressing the deficiencies:

- contacting the appraiser to address deficiencies contained in the appraisal report,
- obtaining a desk review or a field review of the original appraisal, or
- obtaining a new appraisal of the subject property.

The lender can return the appraisal report to the appraiser that completed the assignment, identify the deficiencies found in the report, and request a revised appraisal. If the lender believes the deficiencies make the report unreliable, the lender should not use the report.

If the lender is unable to obtain a revised appraisal that adequately addresses its concerns, a desk or field review of the report may be conducted. The review must be completed in accordance with the USPAP. Because the Scope of Work for either type of review allows for a change of the opinion of value, the appraiser completing the appraisal review must

- be licensed or certified in the state in which the property is located,
- have access to the appropriate data sources, and
- possess the knowledge and experience to appraise the subject property with respect to both the specific property type and the market conditions.

The lender may forego either type of review and obtain a new appraisal. When a new appraisal is obtained, the lender must order the new appraisal and adhere to a policy of selecting the most reliable appraisal, rather than the appraisal that simply documents the resolution of the noted deficiencies in the original appraisal or detail the reasons for relying on a second opinion.

### Lender Requirements

A lender must continually evaluate the quality of the appraiser’s work through the normal review process of all appraisal review or desk review of appraisals as part of its quality assurance system. For detailed requirements, see [D1-3-04, Lender Appraisers, Appraisals, Property Data Collectors, and Property Data Collection](#).

### Reconsideration of Value

For loans requiring an appraisal report, the lender must have policies and procedures in place for a borrower-initiated reconsideration of value process must meet Fannie Mae requirements and adhere to all applicable local, state, and federal laws.

The ROV process must include a review and resolution procedure for the ROV request, and steps for the borrower(s) to appeal the value.

- is unsupported,
- may be deficient due to unacceptable appraisal practices, or
- reflects prohibited discriminatory practices.

Regardless of the outcome of the ROV, the lender is responsible for ensuring the appraisal report and opinion of market value.

The lender must provide a disclosure to the borrower outlining the ROV process at the time of loan application and again to the borrower. The disclosure must make it clear that only one borrower-initiated ROV is permitted per appraisal. The following table describes how to initiate the ROV process.

✓	The borrower-initiated ROV must include...
	<ul style="list-style-type: none"><li>• Borrower(s) name,</li><li>• Property address,</li><li>• Effective date of the appraisal,</li><li>• Appraiser name, and</li><li>• Date of the ROV request.</li></ul>
	Identification and description of unsupported, inaccurate, or deficient areas in the appraisal report.
	Additional data, information, or comparable properties (not to exceed five), and the related data sources (for example, public records).
	An explanation of why the new data supports the ROV.

In addition to the borrower ROV submission requirements, the lender's ROV policies and procedures must include instructions for the submitted ROV and standardized communication to the appraiser. The following table describes additional lender requirements.

✓	The lender must...
	complete its appraisal review before initiating the ROV process.

✓	The lender must...
	designate an underwriter or other appraisal subject matter expert to review the ROV request.
	validate the request from the borrower contains sufficient details prior to sending to the appraiser.
	obtain the necessary information from the borrower if the ROV request is unclear or needs more information.
	align its ROV policies and procedures with Appraiser Independence Requirements (AIR).
	<p>standardize communication to the appraiser, that contains the following:</p> <ul style="list-style-type: none"> <li>• borrower(s) name, property address, effective date of the appraisal, appraiser name, and date of the ROV;</li> <li>• identification and description of unsupported, inaccurate, or deficient areas in the appraisal report;</li> <li>• additional data, information, or comparable properties, not to exceed the maximum of five;</li> <li>• a definition of turn-time expectations for communicating ROV results;</li> <li>• instructions for delivering the ROV response as part of a revised appraisal report that includes commentary on</li> <li>• a reference for appraisers on how to correct minor appraisal issues or non-material errors not related to the ROV</li> </ul>
	ensure all documentation and communications related to the initiation and outcome of the ROV are retained in the

If material deficiencies identified in the appraisal report are not corrected or addressed by the appraiser upon request, or if practices detailed in [B4-1.1-04, Unacceptable Appraisal Practices](#), the lender must forward the appraisal report and such information to the appropriate state or federal licensing agency or regulatory board. The lender must also report suspected overt violations of anti-discrimination laws to the appropriate state or federal licensing agency or regulatory board. In the event of these occurrences, the lender may obtain a second or subsequent appraisal report.

**Note:** After a loan has closed, an ROV request is no longer allowed to be submitted by the borrower.

## Fannie Mae's Referrals to State Appraiser Boards

Fannie Mae conducts different levels of due diligence for quality control purposes and may refer unacceptable appraisal reports to state appraiser boards for investigation.

Fannie Mae's objectives in referring appraisal reports to state appraiser licensing or regulatory boards are

- to emphasize continuing efforts to maintain the quality of appraisals,
- to protect Fannie Mae's interest,
- to improve the quality of mortgages delivered to Fannie Mae by identifying appraisers that have performed appraisals that do not meet Fannie Mae's security interests,
- to help the industry enhance the quality of appraisals by identifying and referring appraisals that are not adequately supported by data,
- to help enforce professional standards.

**Note:** Fannie Mae's decision to make such referrals does not affect the lender's responsibility for managing the property.

## Refusal to Accept Appraisals from Specific Appraisers

Fannie Mae may refuse to accept appraisals prepared by specific appraisers, or Fannie Mae may notify a lender that appraisals are no longer accepted. When a lender is notified that appraisals from specific appraisers are no longer accepted, the lender is prohibited from accepting appraisals by those appraisers on properties appraised by that individual immediately following its receipt of Fannie Mae’s notice.

**Recent Related Announcements**

The table below provides references to recently issued Announcements that are related to this topic.

Announcements	Issue Date
<a href="#">Announcement SEL-2024-03</a>	May 01, 2024
<a href="#">Announcement SEL-2020-03</a>	June 03, 2020