



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: July 12, 2022

Mortgagee Letter 2022-11

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Approved Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Revised Appraisal Validity Periods

Purpose This Mortgagee Letter (ML) increases the Federal Housing Administration (FHA) initial appraisal validity period to 180 days from the effective date of the appraisal. This ML also extends the appraisal update validity period to one year from the effective date of the initial appraisal report that is being updated.

Effective Date For Origination Through Post-Closing/Endorsement policy, the provisions of this ML apply to case numbers assigned on or after **June 1, 2022**.

For Servicing and Loss Mitigation policy, the provisions of this ML apply to appraisals with effective dates on or after **July 12, 2022**.

All policy updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at answers@hud.gov. HUD will consider the feedback in determining the need for future updates.

Affected Programs

The provisions of this ML apply to FHA Single Family Title II forward and Home Equity Conversion Mortgage (HECM) programs.

Background

The appraisal validity period establishes the maximum age of an appraisal report to be used for an FHA-insured mortgage. FHA allows the Mortgagee to extend the validity period for an additional 30 days, under certain circumstances, or obtain an appraisal update to extend the validity period, only if the update is performed before the initial appraisal expires. Industry feedback has encouraged FHA to simplify the appraisal validity policy and align with other agencies.

Increasing the appraisal validity periods decreases administrative and financial burdens associated with obtaining appraisal updates. This change will also more closely align FHA's initial validity period with the U.S. Department of Veterans Affairs Notice of Value validity period and the total validity period of appraisals for the Government Sponsored Enterprises (GSEs).

FHA recognizes the need to balance this additional processing time with potential changes in property and market conditions over that same time. FHA will continue to monitor the economic outlook and housing market trends, making appropriate adjustments to ensure the fiscal soundness and mitigate unreasonable risk to the Mutual Mortgage Insurance Fund (MMIF).

Summary of Changes

For Origination through Post-Closing and Endorsement, this ML:

- updates the initial appraisal validity period from 120 days to 180 days from the effective date of the appraisal report;
- extends the appraisal update validity period from 240 days to one year; and
- removes the optional 30-day extension.

For Servicing and Loss Mitigation, this ML:

- updates the initial appraisal validity period from 120 days to 180 days from the effective date of the appraisal report.

For HECM Financial Assessment and Property Charge Guide, this ML:

- updates the initial appraisal validity period from 120 days to 180 days from the effective date of the appraisal report;
- extends the appraisal update validity period from 240 days to one year; and
- removes the optional 30-day extension.

**Single Family
Housing Policy
Handbook
4000.1**

The policy changes will be incorporated into Handbook 4000.1 as follows:

**Origination
Through
Post-Closing/
Endorsement**

Maximum Age of Mortgage Documents (II.A.1.a.i(A)(1))

(a) General Document Age

Documents used in the origination and underwriting of a Mortgage may not be more than 120 Days old at the Disbursement Date, **except for appraisals, which are subject to separate validity period requirements.** Documents whose validity for underwriting purposes is not affected by the passage of time, such as divorce decrees or tax returns, may be more than 120 Days old at the Disbursement Date.

For purposes of counting Days for periods provided in this Handbook 4000.1, Day one is the Day after the effective or issue date of the document, whichever is later.

(b) Appraisal Validity

(i) Initial Appraisal Validity

The **initial appraisal validity period is 180 Days from the effective date of the appraisal report** (see [Ordering Appraisals](#) (II.A.1.a.iii(B)(6))).

(ii) Appraisal Update

Where the initial appraisal report will be more than 180 days at Disbursement Date, an appraisal update may be performed to extend the appraisal validity period (see Ordering an Update to an Appraisal (II.A.1.a.iii(B)(10))). Where the initial appraisal is updated, the updated appraisal is valid for **one year** after the effective date of the initial appraisal report that is being updated.

Ordering Appraisals (II.A.1.a.iii(B)(6))

The Mortgagee must order a new appraisal for each case number assignment and may not reuse an appraisal that was performed under another case number, even if the prior appraisal is not yet more than **180** Days old.

Ordering an Update to an Appraisal (II.A.1.a.iii(B)(10))

The Mortgagee may only order an update if (1) it is the Mortgagee listed as an Intended User of the original appraisal or (2) it has received permission from the original client and the Appraiser. The Appraiser incorporates the

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original appraisal report being updated by attachment rather than by reference per Advisory Opinion 3 of the USPAP.

The Mortgagee may use an appraisal update only if:

- it is performed by an FHA Appraiser who is currently in good standing on the FHA Appraiser Roster;
 - if a substitute Appraiser is used due to the lack of the original Appraiser availability, the substitute Appraiser must state they concur with the analysis and conclusions in the original appraisal report, and the Mortgagee must document in the case binder why the original Appraiser was not used;
- the Property has not declined in value;
- the building improvements that contribute value to the Property can be observed from the street or a public way;
- the exterior inspection of the Property reveals no deficiencies or other significant changes;
- the appraisal update was performed by the Appraiser within one year from the effective date of the initial appraisal being updated; and
- the appraisal update is performed before the Disbursement Date.

Pre-closing Appraisal Validity in Disaster Areas (II.A.7.c.iii.)

For Mortgages that are not closed prior to the Incident Period, as defined by [FEMA](#), in PDMDAs where a damage inspection report reveals property damage, the appraisal validity period is extended from 180 Days to a maximum of one year from the effective date of the original appraisal.

In no instance will an appraisal be acceptable for a mortgage closing that has an effective date beyond one year. Mortgages with appraisals having effective dates in excess of one year require a new appraisal.

**Single Family
Housing Policy
Handbook
4000.1**

The policy changes will be incorporated into Handbook 4000.1 as follows:

Appraisal Validity Period (III.A.2.1.ii.(D)(1)(c))

The as-is appraisal used for a PFS transaction is valid for 180 Days from the effective date of the appraisal report.

**Servicing and
Loss Mitigation**

If a Mortgagee determines that a subsequent as-is appraisal is required, the Mortgagee may obtain a new as-is appraisal, even if the Property was appraised by an FHA Roster Appraiser within the preceding 180 Days. If a third or any subsequent appraisal is required, the Mortgagee must request approval from the NSC through EVARS.

Appraisal Validity Period (III.A.2.r.iii(A)(1))

The appraisal must be valid on the date of the foreclosure sale. Appraisals are valid for 180 Days from the effective date of the appraisal report.

**Updated Appraisals due to Postponed Foreclosure Sales
(III.A.2.r.iii(D))**

If the foreclosure sale does not take place within 180 Days from the effective date of the appraisal, and within such additional time provided under Extension to Appraisal Validity Period, the Mortgagee must request an updated appraisal and obtain an updated CAFMV.

**HECM
Financial
Assessment
and
Property
Charge
Guide**

Maximum Age of Mortgage Application Documents (Section 1.12)

Documents used in the financial assessment may not be more than 120 Days old at the Disbursement Date, except for appraisals, which are subject to separate validity period requirements. Documents whose validity for financial assessment purposes is not affected by the passage of time, such as divorce decrees or tax returns, may be more than 120 Days old at the disbursement date.

For purposes of counting days for periods provided in this Guide, Day one is the Day after the effective or issue date of the document, whichever is later.

Appraisal Validity (Section 1.13)

The initial appraisal validity period is 180 Days from the effective date of the appraisal report. An appraisal update may be performed when the initial appraisal validity period report is inadequate to meet the Disbursement

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Date. Where the **initial** appraisal is updated, the updated appraisal is valid for a period of **one year** after the effective date of the original appraisal report that is being updated.

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0595; 2502-0600; 2502-0610; and 2502-0611. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Questions

Any questions regarding this Mortgagee Letter may be directed to the FHA Resource Center at 1-800-CALL-FHA. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Julia R. Gordon
Assistant Secretary for Housing -
FHA Commissioner
