



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

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: March 19, 2025**

**Mortgagee Letter 2025-08**

**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 FHA-Approved Title I Lenders  
All HUD-Certified Housing Counselors  
All HUD-Approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

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**Subject** Rescinding Multiple Appraisal Policy Related Mortgagee Letters

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**Purpose** This Mortgagee Letter (ML) rescinds Federal Housing Administration (FHA) Single Family Housing policy changes issued in ML 2024-07, *Appraisal Review and Reconsideration of Value Updates*, ML 2024-16, *Extension to the Effective Date of Appraisal Review and Reconsideration of Value (ROV) Updates*, and ML 2021-27, *Appraisal Fair Housing Compliance and Updated General Appraiser Requirements*, to restore previous policy.

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**Effective Date** The provisions of this ML are effective immediately.

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

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

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**Background**

On November 17, 2021, FHA published ML 2021-27, *Appraisal Fair Housing Compliance and Updated General Appraiser Requirements*, to clarify existing FHA requirements for Appraisers and Mortgagees regarding compliance with fair housing laws related to the appraisal of Properties. Prior to the publication of this ML, there were concerns that the Uniform Standards of Professional Appraisal Practice (USPAP) Ethics Rule was insufficient to clearly address the issue. Since the publication of ML 2021-27, the Appraisal Standards Board (ASB) of the Appraisal Foundation amended the USPAP Ethics Rule in the 2024 edition of USPAP and resolved the concerns the ML intended to address.

On May 1, 2024, FHA published ML 2024-07, *Appraisal Review and Reconsideration of Value Updates*, aimed at expanding HUD’s existing Reconsideration of Value (ROV) process to include a Borrower-initiated ROV process and establish minimum requirements and protocols for the Mortgagee to follow when processing a Borrower-initiated ROV request. While industry feedback encouraged a consistent industry-wide standard for processing ROVs, there were greater concerns around the cost burden associated with implementing and operationalizing some aspects of the updated policy.

In October 2024, FHA began collecting data to track Borrower-initiated ROV requests and their outcomes. Given the short time frame since data collection started, there is insufficient data to conduct meaningful analysis or to draw conclusions on the impact of the policy.

On January 20, 2025, the President issued Executive Orders aimed at reversing policies that have adversely affected key sectors, including the housing market. As part of this ongoing effort, FHA is focused on eliminating policies that have created barriers, increased regulatory and financial burdens, and deepened disparities in lending practices.

Rescinding the policy announced in these MLs is a step in aligning with the Administration’s broader goal to reduce unnecessary regulatory burden and foster long-term economic stability for all Americans.

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**Summary of Changes**

This ML includes the following changes related to ML 2024-07, *Appraisal Review and Reconsideration of Value Updates*:

- rescinds current language and restores previous language under Second Appraisal by Original Mortgagee (II.A.1.a.iii(B)(9)(a));
- rescinds current language and restores previous language under Appraisal Review (II.A.3.a.vi);

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- rescinds current language and restores previous language under General Reconsideration of Value Requirements to Reconsideration of Value (II.A.3.a.ix);
- rescinds and removes Mortgagee Quality Control Plan (II.A.3.a.x);
- rescinds current language and restores previous language under Second Appraisal by Original Mortgagee (II.B.2.a.iii(B)(10)(b)(i));
- rescinds current language and restores previous language under Appraisal Review (II.B.4.a.ii(E));
- rescinds current language and restores previous language under General Reconsideration of Value Requirements to Reconsideration of Value (II.B.4.a.ii(H));
- rescinds and removes Mortgagee Quality Control Plan (II.B.4.a.ii(I)); and
- rescinds and removes Underwriter Requests for a Reconsideration Value (II.D.2.e).

This ML includes the following changes related to ML 2021-27, *Appraisal Fair Housing Compliance and Updated General Appraiser Requirements*:

- rescinds current language and restores previous language under Post-approval Requirements – Compliance with Law (I.B.1.e.i);
- rescinds current language and restores previous language under Property Acceptability Criteria – Quality of Appraisal (II.A.3.a.v);
- updates Property Acceptability Criteria – Quality of Appraisal (II.B.4.a.ii(F)) for alignment with forward policy; and
- rescinds current language and restores previous language under General Appraiser Requirements (II.D.2).

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**FHA Single Family Housing Policy Handbook 4000.1**

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

**Post-approval Requirements (I.B.1.e)**

**i. Compliance with Law**

**Doing Business with FHA**

The Appraiser’s performance must comply with all applicable federal, state, and local laws. The Appraiser must adhere to all state and local laws relating to appraisal, licensing and certification requirements.

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**FHA Single Family Housing Policy Handbook 4000.1**

**Ordering Second Appraisal (II.A.1.a.iii(B)(9))**

**(a) Second Appraisal by Original Mortgagee**

A second appraisal may only be ordered if the Direct Endorsement (DE) underwriter (underwriter) determines the first appraisal is materially deficient and the Appraiser is unable or uncooperative in resolving the

**Origination  
through  
Post-closing/  
Endorsement**

deficiency. The Mortgagee must fully document the deficiency and status of the appraisal in the mortgage file. The Mortgagee must pay for the second appraisal.

Material deficiencies on appraisals are those deficiencies that have a direct impact on value and marketability. Material deficiencies include, but are not limited to:

- failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house;
- reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal; and
- fraudulent statements or conclusions when the Appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy, and/or thoroughness of the appraisal submitted to the client.

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**Property Acceptability Criteria (II.A.3.a)**

**v. Quality of Appraisal**

The Mortgagee must evaluate the appraisal and ensure it complies with the requirements in [Valuation and Reporting Protocols](#) (II.D.4), and any additional appraisal requirements that are specific to the subject Property.

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**Property Acceptability Criteria (II.A.3.a)**

**vi. Appraisal Review**

The Mortgagee must review the appraisal and ensure that it is complete, accurate, and provides a credible analysis of the marketability and value of the Property.

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**Property Acceptability Criteria (II.A.3.a)**

**ix. Reconsideration of Value**

The underwriter may request a reconsideration of value when the Appraiser did not consider information that was relevant on the effective date of the appraisal. The underwriter must provide the Appraiser with all relevant data that is necessary for a reconsideration of value.

The Appraiser may charge an additional fee if the relevant data was not available on the effective date of the appraisal. If the unavailability of data is

not the fault of the Borrower, the Borrower must not be held responsible for the additional costs. The effective date of the appraisal is the date the Appraiser inspected the Property.

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### **Ordering Second Appraisal (II.B.2.a.iii(B)(10)(b))**

#### **(i) Second Appraisal by Original Mortgagee**

A second appraisal may only be ordered if:

- FHA's collateral risk assessment determines a second appraisal is required. The cost of the second appraisal may be financed as part of the closing costs; or
- the Direct Endorsement (DE) underwriter (underwriter) determines the first appraisal is materially deficient and the Appraiser is unable to resolve or uncooperative in resolving the deficiency. The Mortgagee must fully document the deficiency and status of the appraisal in the mortgage file. The Mortgagee must pay for the second appraisal.

Material deficiencies on appraisals are those deficiencies that have a direct impact on value and marketability. Material deficiencies include, but are not limited to:

- failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house;
  - reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal; and
  - fraudulent statements or conclusions when the Appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy, and/or thoroughness of the appraisal submitted to the client.
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### **Property Acceptability Criteria – Standard (II.B.4.a.ii)**

#### **(E) Appraisal Review**

The Mortgagee must review the appraisal and ensure that it is complete, accurate, and provides a credible analysis of the marketability and value of the Property.

When there are multiple appraisals, the underwriter must confirm the appraisal selected by the HECM collateral risk assessment is used to complete form [HUD-92800.5B](#).

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**Property Acceptability Criteria – Standard (II.B.4.a.ii)**

**(F) Quality of Appraisal**

The Mortgagee must evaluate the appraisal and ensure it complies with the requirements in [Valuation and Reporting Protocols](#) (II.D.4), and any additional appraisal requirements that are specific to the subject Property.

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**Property Acceptability Criteria – Standard (II.B.4.a.ii)**

**(H) Reconsideration of Value**

The underwriter may request a reconsideration of value when the Appraiser did not consider information that was relevant on the effective date of the appraisal. The underwriter must provide the Appraiser with all relevant data that is necessary for a reconsideration of value.

The Appraiser may charge an additional fee if the relevant data was not available on the effective date of the appraisal. If the unavailability of data is not the fault of the Borrower, the Borrower must not be held responsible for the additional costs. The effective date of the appraisal is the date the Appraiser inspected the Property.

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**Appraiser and Property Requirements for Title II Forward and Reverse Mortgages (II.D)**

**2. General Appraiser Requirements**

The Appraiser must follow FHA guidance and comply with the [Uniform Standards of Professional Appraisal Practice \(USPAP\)](#) when completing appraisals of Property used as security for FHA-insured Mortgages. The Appraiser must observe, analyze, and report whether the Property meets HUD's Property Acceptability Criteria, including Minimum Property Requirements (MPR) and Minimum Property Standards (MPS).

MPR refers to general requirements that all homes insured by FHA be safe, sound, and secure.

MPS refers to regulatory requirements relating to the safety, soundness, and security of New Construction.

Every Property must be safe, sound, and secure so that the Mortgagee can determine eligibility. The Appraiser must note every instance where the Property is not safe, sound, and secure and does not comply with HUD's

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MPR and MPS, or they must clearly state when no deficiencies with HUD's Property Acceptability Criteria have been observed or are known.

When performing an appraisal, the Appraiser must review and analyze all the documents under the [Information Required before Commencement of Appraisal](#) (II.D.1.a). For new construction assignments, the Appraiser must also review and analyze all the documents related to New Construction, including plans, specifications, and any exhibits provided that will assist the Appraiser in determining what is to be built or, if now Under Construction, what will be built when finished.

The Appraiser must report the results of their analysis in the appraisal report.

In a purchase transaction, if the seller is not the owner of record, the Appraiser must include an explanation in the appraisal report.

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### **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 (PRA) 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; 2502-0328; 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; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, 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.

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### **Feedback or Questions**

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), [answers@hud.gov](mailto:answers@hud.gov), or [www.hud.gov/answers](http://www.hud.gov/answers). The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

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**Signature**

Jeffrey D. Little  
General Deputy Assistant Secretary for Housing

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