

Appraisal Requirements

Appraisal Validity

Initial Appraisal Validity

- The initial appraisal is valid for 120 days on all mortgages—including new construction—from the effective date of the appraisal
- The Effective Date of the appraisal report is the date the appraiser inspected the property

Initial Appraisal Validity 30-Day Extension

The 120-day validity period of an appraisal may be extended for 30 days at the option of the Mortgagee if:

- The mortgagee loan approval or HUD-issued Firm Commitment is issued prior to the expiration of the original appraisal; or
- The borrower signed a valid sales contract prior to the expiration date of the appraisal

Appraisal Update

- Appraisal update must be performed before the initial appraisal has expired.
- An appraisal cannot be updated if an appraisal extension has been issued.
- The valid period for an updated appraisal is 240 days after the Effective Date of the initial appraisal report.

Appraisal Integrity

- The appraisal report must list FHA as an Intended User of the appraisal

Case Numbers

- FHA case number is assigned to the property, not to the borrower.
- The original mortgagee must assign the case number to the new mortgagee immediately upon the borrower's request
 - The original mortgagee may provide processing documents but is not required to do so.

Transferring Existing Appraisals

- The mortgagee, at the borrower's request, must transfer the appraisal to the second mortgagee within 5 business days.
- The original mortgagee may not charge the borrower a fee for the transfer of any documents
- A fee may be negotiated between the original mortgagee and the new mortgagee. However, a fee for the transfer of documents for Streamline Refinance transactions is not permitted.

Transferring Existing Appraisal – New Borrower

- When an existing appraisal is being used for a different borrower, the mortgagee must:
- Enter the new borrower's information in FHA Connection
- Collect the appraisal fee from the new borrower and refund the fee to the original borrower
- Have the appraiser review the purchase contract and revise the appraisal report for value adjustments accordingly.

	<p><u>Communications with third parties</u></p> <ul style="list-style-type: none"> • Mortgagees may not discuss the contents of the appraisal with anyone other than the borrower. <p><u>Mixed Use</u></p> <ul style="list-style-type: none"> • A minimum of 51% of the entire building square footage must be residential use. <p><u>Shared Wells</u></p> <ul style="list-style-type: none"> • Shared wells are allowed only when the lender evidences the connection to public or community water system is not feasible and the property is not located in an area where local officials have determined public connection to be feasible. <p>For 2-4 unit properties – appraiser to use FNMA 1025 Small Residential Income Property Appraisal Report Form</p> <p>Appraisal must comply with FHA Appraisal Independence Policy</p> <p>A compliance Certification/Final Inspection is required for follow-up repairs or completion of any new construction loan.</p> <p>Second Appraisal: The second appraisal requirements are as follows:</p> <ul style="list-style-type: none"> • An FHA roster appraiser must perform the appraisal in compliance with all FHA appraisal reporting • The lender may not use an appraisal completed for a conventional loan even if it was completed by an FHA roster appraiser • The lender may not charge the cost of the second appraisal to the homebuyer <p>The lender must not use this appraisal for case processing and must not enter it into FHA Connection</p> <p>NOTE: The ECOA Valuations Rule requires copies of appraisals and other written valuations to be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier.</p> <p style="text-align: center;">■</p>
Appraiser Requirements	<p>Appraisers must be on FHA's approved list on the FHA Connection with State Certification designation of Certified General or Certified Residential</p> <p>The assigned appraiser must perform the physical inspection of the property. He/she may not sign the appraisal performed by another appraiser.</p> <p>Information Required before Commencement of Appraisal The Appraiser must obtain all of the following from the Mortgagee before beginning the appraisal:</p> <ul style="list-style-type: none"> • A complete copy of the executed sales contract for the subject, if a purchase transaction



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- The land lease, if applicable
- Surveys or legal descriptions, if available
- Any other legal documents contained in the loan file; and
- A point of contact and contact information for the Mortgagee to that the Appraiser can communicate any noncompliance issues

Appraiser must comply with the FHA Appraisal Independence Policy