



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

March 8, 2010

MORTGAGEE LETTER 2010-08

**TO: ALL APPROVED MORTGAGEES
ALL FHA ROSTER APPRAISERS PREPARING REO APPRAISALS**

SUBJECT: HUD REO Appraisal Validity Period and Second Appraisals

This Mortgagee Letter (ML) announces the validity period for appraisals utilized to establish the listing price on HUD's Real Estate Owned (REO) properties. In addition, this Mortgagee Letter also announces conditions for which a second appraisal may be ordered for purchasers of REO properties utilizing FHA financing.

Validity Period

All appraisals utilized to establish the listing price on an REO property owned by the Department of Housing and Urban Development, with an effective date on or after April 1, 2010, will be valid for a period of 120 days from the effective date of the appraisal. If the buyer is financing the purchase with a Federal Housing Administration (FHA) insured mortgage, a valid HUD REO sales contract must be ratified within 120 days of the appraisal effective date or the mortgagee must order a new appraisal or an appraisal update in accordance to the guidance provided in Mortgagee Letter 2009-51 to support the mortgage transaction. This update is a change from the current six (6) month validity period and is consistent with Mortgagee Letter 2009-30, which pertains to appraisals used for FHA-insured mortgages.

REO Second Appraisals to Support a Higher Purchase Price

Effective immediately, with the exception of 203(k) as-repaired appraisals, when a buyer is using FHA financing to purchase a HUD REO property, the appraisal that was utilized in determining the list price will remain effective for purposes of obtaining the FHA-insured mortgage. A second appraisal may not be ordered simply to support a purchase price that is higher than the value on the current appraisal. A second appraisal can only be ordered to support a higher sales price if there are material deficiencies with the current appraisal or the current appraisal will not be valid on the date of contract ratification. The Direct Endorsement (DE) underwriter is responsible for determining if there are material deficiencies with respect to the current appraisal. In addition, the lender must document why a second appraisal was ordered and retain both appraisal copies in the loan file.

If you should have any questions concerning this Mortgagee Letter, please call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). 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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