



State of Illinois

Federal and State Regulatory Guidelines Relating to Reconsideration of Value



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Housing Action Illinois
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State of Illinois

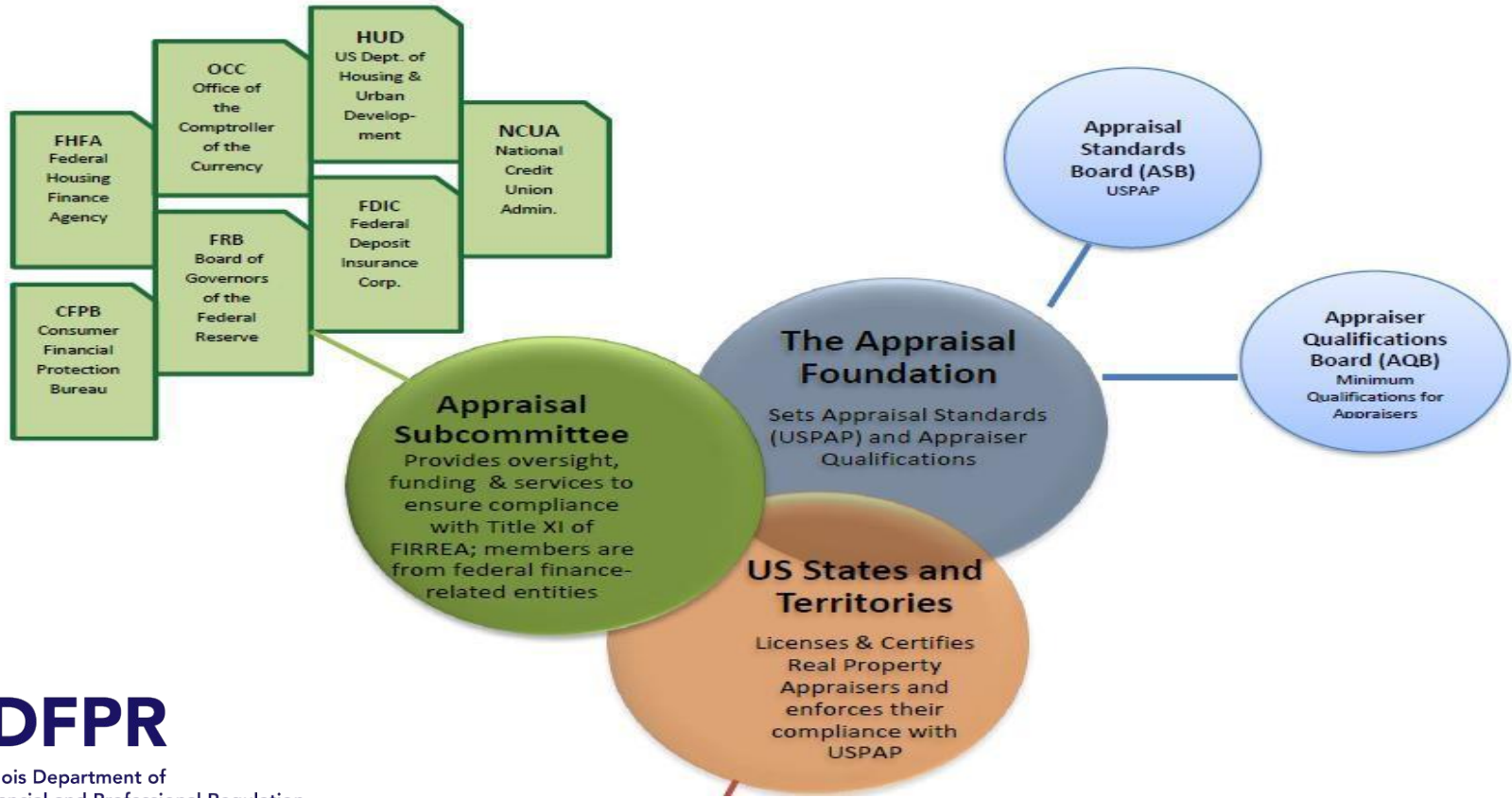
Federal Regulation



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THE REGULATORY SYSTEM FOR REAL PROPERTY APPRAISERS



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Appraisal Subcommittee

The ASC is a federal agency that was created in 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI).

Congress adopted Title XI to respond to the Savings and Loan Crisis of the late 80's and early 90's and address the problem of unregulated persons performing incompetent and/or fraudulent appraisals for federally regulated financial institutions.



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Dodd-Frank Act

After the 2008 financial crisis, President Barack Obama signed into law the Dodd–Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on July 21, 2010.

The Dodd–Frank Act was passed to promote financial stability, improve transparency and accountability, and protect consumers from abusive practices in the financial system.

As a result, the Dodd-Frank Act created comprehensive changes for the regulation of real estate appraisers and appraisals nationally.



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Appraisal Qualifications Board

The Appraiser Qualifications Board (“AQB”) **establishes minimum qualifications**, known as the “Real Property Appraiser Qualification Criteria” which **include educational programming on bias and discrimination** under the Ethics requirement.



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Uniform Standards of Professional Appraisal Practice (“USPAP”) Ethics Rules

An appraiser:

- must not perform an assignment with bias;
- must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;



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Reconsideration of Value (ROV)

- VA-Tidewater Process
- PAVE Report highlighted ROV process
- Fannie Mae set ROV guidelines (May1, 2024)
- HUD updated Guidebook on ROVs (May 24, 2024)
- Interagency Guidelines on ROVs (July 2024)

Department of Treasury Federal Deposit Insurance Company

Federal Reserve System National Credit Union Administration



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Consumer Financial Protection Bureau



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State Regulation



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What can the State do?

Division of Real Estate

- Investigate the Appraiser for USPAP violations
- Investigate the Appraiser for Discriminatory practices or Fair Housing Violations
- Investigate Appraisal Management Companies (AMC)

Sec 160. Business Practice provisions; standard of practice

(c) In the event of a value dispute or a requested reconsideration of value, the appraisal management company shall deliver all information that supports an increase or decrease in value to the appraiser. This information may include, but is not limited to, additional comparable sales.

Division of Banking

- Investigate Residential Lenders under the Residential Mortgage License Act of 1987

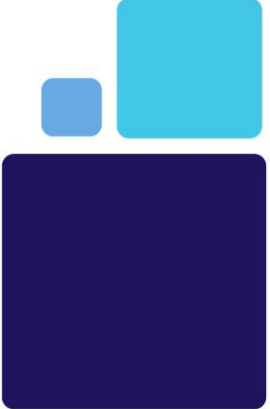
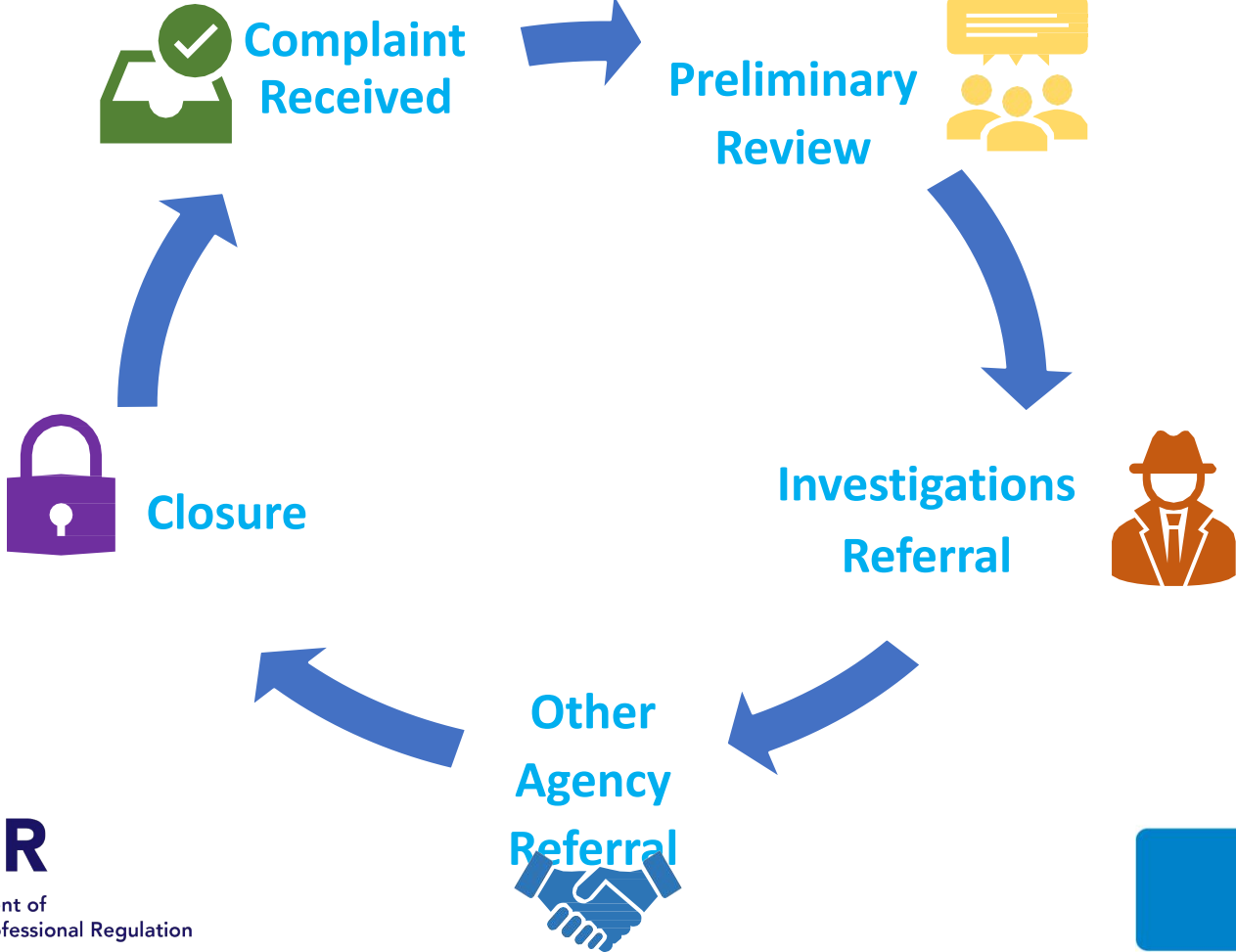


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Appraisal Complaints



Enforcement Process

Investigative
Review of Act
and Rules

Prosecutions
Referral

Formal
Complaint

Settlement

Hearing

Final Public or
Non-Public
Order



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Resources

- [Fannie Mae ROV Guidelines](#)
- [Freddie Mac ROV Guidelines](#)
- [HUD Guidelines, May 2024](#)
- [Federal Interagency Guidelines on ROVs, July 2024](#)
- [VA Home Loans](#)
- [PAVE Report-Property Appraisal and Valuation Equity](#)



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WHAT'S ROV GOT TO DO WITH IT?

A tool to appeal a Real Estate Appraisal



Presented by: Jeremy N Reed



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WHAT IS AN ROV?

• Reconsideration of Value (ROV)

- A tool available to Lenders, Borrowers, Mortgage Agents, and even Real Estate Agents
- Aimed to combat appraisal bias, while promoting better consistency

Okay – but what is it?

- A formal request submitted to an appraiser to review or reconsider the results of the initial appraised value of a property.
 - Requires detailed information, such as:
 - Recent Sales Data
 - Market Conditions
 - Other data not included in the original appraisal
 - All presented with the aim to potentially adjust property's value



FANNIE, FREDDIE, AND HUD (OH MY)

• Guidance issued by Fannie in May 2024

- Lenders will provide a disclosure to borrowers detailing ROV process at the time of the loan application and again when the appraisal is delivered
- Lenders must complete their appraisal review before initiating the ROV process
 - Lender shall designate an underwriter or other appraisal SME to review ROV requests
 - Validates the request
 - Confirms the request contains sufficient supporting evidence prior to sending it out
 - When validated, the lender must send a standardized communication to the appraiser





BORROWER SUBMITTED ROV

• Borrower Submitted Request must contain:

- Identification and description of unsupported, inaccurate, or deficient areas in the appraisal report
- Additional data, information, or comparable properties, **not to exceed the maximum of five**
- A definition of turn-time expectations for communicating ROV results
- Instructions for delivering the ROV response as part of a revised appraisal report that includes commentary on conclusions regardless of the outcome
- A reference for appraisers on how to correct minor appraisal issues or nonmaterial errors not related to the ROV process

Note: Lenders are also required to report unresolved material deficiencies or evidence of unacceptable appraisal practices to the appropriate appraisal licensing agency or regulatory board and to report suspected overt violations of anti-discrimination laws to the proper local, state, or federal agency.



BORROWER SUBMITTED ROV (CONTINUED)

- **Best practice and ROV process detail:**

- Include the definition of turn-time expectations for possible ROVs in the initial appraisal engagement letter.
- All the lenders' ROV policies and procedures must be aligned with Appraiser Independence Requirements (AIR).
- Provide supporting information that identifies and describes what they consider to be unsupported, inaccurate, or deficient items along with additional data, information, and up to five comparable sales (and the related data sources), with an explanation of how the new data supports the ROV.
- For any appraisal, **only one borrower-initiated ROV is permitted.** The ROV must be submitted by the borrower to the lender before loan closing.
- After a loan has closed, an ROV request is no longer allowed to be submitted by the borrower for that appraisal.
- The appraiser must analyze the relevance of the information provided with the ROV. **Regardless of whether the ROV request results in a change in value or not, a revised appraisal must be provided within the defined time frame with a description of the points in dispute and the outcome.**

HUD ISSUES THEIR GUIDANCE

- **An underwriter may request a clarification or reconsideration of value from the Appraiser, following the requirements in Reconsideration of Value.**
 - The Mortgagee may not discuss the contents of an appraisal with anyone other than the Borrower.
 - 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.
 - The Mortgagee must ensure that the underwriter is trained to identify appraisal deficiencies, including prohibited discriminatory practices, through the appraisal review process.
 - The review process must include protocols for remediating deficiencies by:
 - Requesting a general correction, explanation, or substantiation from the Appraiser;
 - Requesting a Reconsideration of Value (ROV); and
 - Obtaining a second appraisal.

HUD ISSUES THEIR GUIDANCE (CONTINUED)



• The review process and all communication with the Appraiser must conform with the Safeguards for Appraiser Independence.

• **The underwriter's communication with the Appraiser must:**

- Include a description of the area(s) in the appraisal report and all the additional information that require the Appraiser's response;
- Provide detailed information, data, or relevant comparable sales as available;
- Only include relevant comparable sales as of the effective date of the appraisal; and
- Not include more than five alternative comparable sales.



THE APPRAISER'S RESPONSE

- The Appraiser's response must be included in a revised version of the appraisal, which must be logged in FHA Connection (FHAC).
- All documentation associated with an ROV must be retained in the case binder including all written communication among the Mortgagee, the Borrower, the Appraiser, and any other parties involved in the ROV process.
- No costs associated with an ROV may be charged to the Borrower.
- A request for general correction, explanation, or substantiation of valuation from the Appraiser is part of the Direct Endorsement (DE) underwriter's appraisal review process but is not considered a request for an ROV.
- A resolution for the ROV must be completed prior to loan closing.



ROVs FOR VA LOANS?

•For loans guaranteed by the Veteran's Administration, the Tidewater process remains in place.

- The Tidewater process, which allows appraisers to request additional sale information prior to the appraisal being completed, has been in existence since 2003 (see VA Circular 26-03-11).
- Through the years, this process has assisted Veterans in attaining the home they desire. While housing data sources have improved, there are still times when relevant sales are not readily available via traditional data sources.
- Tidewater process gives interested parties the opportunity to provide additional sales data that may support the contract price.





BOIL IT ALL DOWN

- **At a minimum, the borrower-initiated ROV process must:**
 - Provide an easy-to-understand disclosure at mortgage loan application and upon delivery of the appraisal report to the Borrower with instructions that explain the borrower-initiated ROV process, the expected ROV processing times, and the process for requesting clarifications or corrections unrelated to the value conclusion;
 - Specify in the disclosure the process for submitting the ROV request, what information will be required from a borrower, and any limitations on the information allowed, including: up to five alternative comparable sales for consideration; and
 - Only one borrower-initiated ROV request is permitted per appraisal; and
 - Establish protocols for communication with the Borrower, including the following communications, which must be in writing: acknowledging receipt of the ROV request;
 - Guidance to correct an incomplete ROV request;
 - Updates on the status of the ROV request; and the results of the ROV request.
 - If the borrower-initiated ROV request is unclear, deficient, or requires additional information, the Mortgagee must remediate with the Borrower, as required.



THANK YOU!

