



LHFS Wholesale News

HECM – Appraisal Submission and Assessment

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Land Home
FINANCIAL SERVICES, INC.
TPO Mortgage SolutionsSM
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HECM – Appraisal Submission and Assessment

The following is effective for all HECM originations with FHA case numbers assigned **on or after October 1, 2018** through September 30, 2019.

The Federal Housing Administration announced Friday that it will require reverse mortgage lenders to provide a second property appraisal on loans flagged by FHA as potentially having an inflated property valuation. As part of the guidance, new HECM loans will undergo a risk assessment, which FHA will use to determine if a second appraisal is needed before the loan can be approved.

FHA stated this move is intended to reduce risk to the Mutual Mortgage Insurance Fund, as well as FHA borrowers. The use of validation tools will enhance the credibility of the appraised value used to calculate the maximum claim amount and confidence in the soundness of the value of the collateral securing the HECM.

REQUIREMENT TO VALIDATE COLLATERAL

For all HECMs, FHA will perform a collateral risk assessment of the appraisal submitted for use in the HECM origination. Based on the outcome of the assessment, FHA may require a second appraisal be obtained prior to approving the HECM.

LHFS will not approve or close a HECM before FHA has performed the collateral risk assessment and, if required, a second appraisal will be obtained. The fees associated with the second appraisal will be rolled into the loan's closing costs, and most importantly, LHFS will be required to use the lower of the two appraised values.

RESOURCE

[HUD Mortgagee Letter 2018-06](#)

QUESTIONS

Please contact your Sales Manager with any questions.