

Rules Expanded for Appraisal Waivers

BY ANNA DE SIMONE

Starting January 1, 2025, expanded rules for appraisal waivers take effect on purchase transactions. New rules apply to both appraisal waivers & inspection-based waivers. The announcement was made on October 29, 2024 by the Federal Housing Finance Agency (FHFA) to allow more borrowers — particularly first-time & low-to-moderate income borrowers — to benefit from cost savings & reduced closing times.

LTV maximums are based on the applicable mortgage program, up to the following limits:

- Maximum loan-to-value (LTV) for appraisal waivers on home purchases will increase from 80% to 90%
- Maximum LTV for inspection-based appraisal waivers will increase from 80% to 97%

Fannie Mae: Appraisal waivers are now known as Value Acceptance, according to Fannie Mae's October 29 announcement, and new rules apply to both primary residence & second home purchase transactions. Value acceptance means that the lender accepts the value indicated from the Desktop Underwriter® offer.

Value Acceptance + Property Data is an inspection-based appraisal waiver. Property data collection consists of a visual observation of the interior & exterior areas of the subject property. Only a single visit to the property is required to complete this process. It must be performed by a trained & vetted property data collector. Lenders are able to search for an approved data collector in the geographic area from Fannie Mae's service providers list.

Freddie Mac: Freddie Mac offers a menu of options on its Collateral Valuation & Appraisal Resources dashboard. For loans submitted through Loan Product Advisor,® appraisal waivers are available through the Automated Collateral Evaluation (ACE) option. When loans are submitted through LPA, the lender must indicate the sales contract price or estimated property value for refinances. The ACE algorithm will determine the acceptability of the value (or sales price) as the basis for the lender underwriting the loan. The LPA Feedback Certificate will indicate if the loan can be originated without a traditional appraisal.

The LPA feedback may indicate the requirement of an ACE+PDR, in lieu of a traditional appraisal. This report is an Automated Collateral Evaluation (ACE) along with a Property Data Report (PDR). The PDR information is physically collected on-site by a trained property data collector, which includes photographs. Lenders can locate a provider on the collateral valuation dashboard.

Tips for Originators & Loan Processors

1. Take extra steps to confirm that property information provided by the borrower (or real estate agent) is accurate and up to date. Data which cannot be validated may impact acceptance for any type of appraisal waiver.
2. Lenders are obligated to request a traditional appraisal based on supplemental information or facts that are later received about the property.
3. In lieu of a traditional appraisal, automated underwriting feedback may indicate acceptability for a hybrid appraisal report (Fannie Mae Form 1004 Hybrid or Freddie Mac Form 70D).
4. Appraisal fees are subject to rules under the Truth in Lending Integrated Disclosure (TRID) Act. If there are changes in circumstance regarding appraisals, it is important that borrowers are made aware of the cost and whether a revised Loan Estimate (LE) will be issued.

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