



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

March 31, 2010

MORTGAGEE LETTER 2010-13

**TO: ALL APPROVED MORTGAGEES
ALL FHA ROSTER APPRAISERS**

SUBJECT: Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442/March 2005)

Purpose of this Mortgagee Letter

This Mortgagee Letter provides additional guidance to that contained in Mortgagee Letter 2009-51, which advised of the Federal Housing Administration's (FHA) adoption of the Appraisal Update and/or Completion Report Form. Specifically, this Mortgagee Letter:

1. Provides two additional prohibitions on use of the Appraisal Update Report
2. Clarifies that the Market Conditions Form must be completed in conjunction with the Appraisal Update Form
3. Defines the validity periods for appraisals with and without an Appraisal Update Report

Effective Date

The provisions of this Mortgagee Letter became effective for all case numbers assigned on or after February 15, 2010.

Prohibitions to use of Appraisal Update Report

In addition to the prohibitions provided in Mortgagee Letter 2009-51, the following prohibitions are applicable to the use of the Appraisal Update Report:

One time use of Appraisal Update Report:

- An original appraisal report can only be updated one time via the Appraisal Update Report, limiting the use of the Appraisal Update Report to one time.

Eligible Intended User of Report:

- The Appraisal Update Report may not be used when ordered by a lender who is not identified as an intended user in the original appraisal report unless the appraiser

incorporates the original report being updated by attachment rather than by reference per Advisory Opinion 3 of the Uniform Standards of Professional Appraisal Practice (USPAP).

Market Conditions Form must Accompany the Appraisal Update Report

- The appraiser must include a completed Market Conditions Addendum (Fannie Mae Form 1004MC/Freddie Mac Form 71) for the subject property that is reflective of market conditions as of the effective date of the Appraisal Update Report.

Permissible Validity Periods

A. Appraisals with **no Appraisal Update Report**

150 Day Validity Period: In no case may a loan be insured if the loan is not closed within 150 days from the effective date of the appraisal report (120 day validity period for original appraisal plus 30 day extension period permitted in Handbook 4155.2).

B. Appraisal with an Appraisal Update Report

240 Day Validity Period: In no case may a loan be insured where the original or underlying appraisal is subsequently updated if the loan is not closed within 240 days from the effective date of the original appraisal report being updated (120 day validity period for original appraisal plus 120 day validity period for Appraisal Update Report). The 30 day extension period permitted in Handbook 4155.2 cannot be used for cases when the original appraisal is updated.

If you should have any questions concerning this Mortgage Letter, call 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