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To: Clients and Friends

From: David F. Dulock

Subject: FHA Requires Second Appraisal for Certain HECMs (ML 2018-06)

This memorandum is for clients that originate FHA HECM reverse mortgages. On September 28, 2018, the FHA issued Mortgage Letter 2018-06 (ML 2018-06, [click here](#)) that will require lenders originating HECMs to provide a second property appraisal where FHA determines there may be inflated property valuations. This new requirement will take effect for case numbers assigned on or after October 1, 2018 through September 30, 2019.

ML 2018-06 provides for an FHA collateral risk assessment of initial appraisals submitted for these new HECM originations. Based on the collateral risk assessment, FHA may require a second appraisal be obtained prior to approving the HECM for an insurance endorsement. ML 2018-06 further provides that lenders must not approve or close a HECM before FHA has performed the collateral risk assessment and, if required, a second appraisal is obtained. Where a second appraisal is required by FHA, lenders must use the lower value of the two appraisals in originating the HECM.

ML 2018-06 also sets out interim protocols and subsequent fully-automated protocols for lenders to submit and use the appraisals for HECMs subject to ML2018-06.

For detailed information and instructions on these new HECM requirements and protocols, please click on the above hyperlink to view or print ML 2018-06.

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