



ANNOUNCEMENT#10-09, March 12, 2010

To: All Michigan Mutual Brokers

Re: Important Announcement

Topics included in this announcement per HUD Mortgagee Letter 2010-08:

- **HUD REO Appraisal Validity Period**
- **HUD REO Use of a Second Appraisal to Support a Higher Purchase Price**
- **HUD REO Appraisal Validity Period:** HUD REO appraisals with an effective date on or after April 1, 2010, will be valid for a period of 120 days from the effective date of the appraisal (currently is 180 days). The HUD REO sales contract must be executed within 120 days of the appraisal effective date or a new appraisal must be ordered. Again, this change is effective with all HUD appraisals with an effective date on or after April 1, 2010.
- **HUD REO Use of a Second Appraisal to Support a Higher Purchase Price: EFFECTIVE IMMEDIATELY,** when a buyer is using FHA financing to purchase a HUD REO property a second appraisal may not be ordered simply to support a purchase price that is higher than the value on the current HUD REO appraisal. The HUD appraisal must be utilized in all cases (regardless if the borrower is making a 3.5% down payment or \$100 down payment). A second appraisal can only be ordered to support a higher sales price if there are **material deficiencies** with the current HUD REO appraisal or the current appraisal will not be valid on the date of the executed sales contract. The Direct Endorsement (DE) Underwriter is responsible for determining if there are material deficiencies with respect to the current HUD REO appraisal. In addition, it must be documented why a second appraisal was ordered and both appraisal copies will be retained in the file. Again, this guidance is effective immediately which applies to FHA Case Numbers already assigned and HUD REO sales contracts currently executed. Loans that have been underwritten with second appraisals will be reviewed for material deficiencies in the HUD REO appraisal. If no material deficiencies are found, and the second appraisal cannot be used, an underwriting condition will be added to the loan approval for sufficient assets to close to be acceptably documented based on the original HUD REO appraised value. We have identified purchases of HUD REO properties in our pipeline however if your loan was not registered and/or locked as a purchase of a HUD REO transaction (or registered and we have not received an underwriting package) then we are unable to identify the loan as such and we ask that you contact your Account Executive as soon as possible so that we can assist you with this process.

Link to Mortgagee Letter 2010-08:

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/>

Please contact your account executive if you have any questions.

We appreciate and value your business!