



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

December 7, 2009

MORTGAGEE LETTER 2009-51

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

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

The Federal Housing Administration (FHA) is adopting the Appraisal Update and/or Completion Report, Fannie Mae Form 1004D/Freddie Mac Form 442/March 2005. This is a dual-purpose form. Part A, Summary Appraisal Update Report, provides for updates of existing appraisals when the appraiser concurs with the original appraisal report and updates the appraisal by incorporating the original appraisal report. Part B, Certification of Completion, provides for compliance repair and completion inspections for existing and new construction dwellings. This mortgagee letter is effective for all case number assignments on or after January 1, 2010.

When to Use the Appraisal Update and/or Completion Report:

Part A/Summary Appraisal Update Report

1. To extend the validity period of an existing appraisal that is due to expire and when lender does not want to order a new appraisal report.
2. To extend the validity period of an existing appraisal for new construction that is incomplete.

Part B/Completion Report

1. To report the completion of a repair and/or the satisfaction of requirements and conditions noted in the original appraisal report referenced in the header of the Summary Appraisal Update and/or Completion Report.

Who Can Use the Appraisal Update and/or Completion Report:

Part A/Summary Appraisal Update Report

1. The FHA appraiser who performed the original appraisal if currently in good standing on the FHA Appraiser Roster.

Part B/Completion Report

1. The FHA appraiser who performed the original appraisal if currently in good standing on the FHA Appraiser Roster.
2. Any other FHA appraiser currently in good standing on the FHA Appraiser Roster.

When the Appraisal Update and/or Completion Report May Not be Used:

Part A/Summary Appraisal Update Report

1. The property has declined in value.
2. The building improvements that contribute value to the property cannot be observed from the street or a public way.
3. The exterior inspection of the property reveals deficiencies or other significant changes that did not exist as of the effective date of the appraisal report being updated.

Part B/Completion Report

1. The Completion Report may not be used in lieu of form HUD-92051, Compliance Inspection Report, for new construction and manufactured housing.

How to use the Appraisal Update and/or Completion Report:

Part A/Summary Appraisal Update Report

The appraiser must:

1. Adhere to the Scope of Work and Appraiser's Certification listed on the form, which includes an exterior inspection of the subject property from, at least, the street.
2. Research, analyze and verify current market data to determine if the property has declined in value since the effective date of the appraisal report being updated.
3. Assure compliance with development and reporting requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), and specifically Advisory Opinion 3.
4. Retain all supporting documentation in the work file.
5. Check the box applicable to Part A.
6. Concur with the original appraisal report and update the appraisal by incorporating the original appraisal report if the market value of the subject property has not declined since the effective date of the original appraisal.
7. Provide a photo of the street scene and photos from as many angles of the home that are visible from a public way.

Part B/Completion Report

The appraiser must:

1. Review the requirements and/or conditions noted in the appraisal report referenced in the header of the Summary Appraisal Update and/or Completion Report.
2. Check the box applicable to Part B.
3. Perform a thorough inspection of the items noted in appraisal referenced in the Summary Appraisal Report and confirm completion/satisfaction of requirements and/or conditions.
4. Describe the impact on the value of the property if requirements and/or conditions are not completed in accordance with the original appraisal report.

Additional Guidance:

1. No supervisory signatures are permitted, only the FHA Roster appraiser may sign the Appraisal Update and/or Completion Report.
2. Costs incurred in the performance of the Appraisal Update and/or Completion Report may be paid by the borrower.
3. Copies of the Appraisal Update and/or Completion Report must be retained in the case binder.
4. Validity period of the Appraisal Update and/or Completion Report is 120 days, which begins with the effective date of the appraisal report, and in no case may a loan close where the initial or underlying appraisal that has been subsequently updated is more than one year old at the time of loan closing.

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