



**MARYLAND  
MORTGAGE**  
BANKERS AND BROKERS  
ASSOCIATION

**Testimony offered on behalf of:**

**MARYLAND MORTGAGE BANKERS & BROKERS  
ASSOCIATION, INC.**

**IN OPPOSITION TO:**  
**HB 1151 - Residential Real Property Sales – Appraisals**

**Senate Judicial Proceedings Committee**  
**Hearing – 03/19/25 at 1:00 PM**

Federal regulations are in place and dictate policies and procedures with respect to Real Estate Appraisals. Specifically, lenders are required to provide a copy of the appraisal to a prospective buyer under the Equal Credit Opportunity Act (ECOA) and Consumer Financial Protection Bureau guidelines.

The lender commissions an appraisal to assess the property's value, making the lender the owner of the appraisal, the purpose being to confirm that the value justifies the loan amount. First and foremost, the existing process of property appraisal is designed to provide an objective, unbiased assessment of the property's value based on market data and comparable sales. Sellers do not have an inherent right to access or own the report unless the buyer agrees to share the report.

If a seller requests another appraisal based on a subjective opinion, it could create conflicts of interest that might affect the neutrality and accuracy of the appraisal process.

The federal agencies including Fannie Mae, Freddie Mac, FHA and VA generally prohibit additional appraisals from being requested by sellers or buyers who dispute the value. If a buyer believes the appraised value is too low, they can request a Reconsideration of Value (ROV) from the lender which involves a review for deficiencies and errors by both the lender and appraiser. While a seller cannot make such a request they can work with the buyer, who if so, inclined could make such a request on their behalf. This ROV initiative was put in place as federal regulation in October 2024 to address fairness and accuracy in valuations. Refer to attached MBA article.

For these reasons the Maryland Mortgage Bankers and Brokers Association, Inc. **OPPOSES** this bill and urges an **UNFAVORABLE COMMITTEE REPORT ON HOUSE BILL 1151.**

Respectfully submitted,

***Richard Green***

**Co-Chair, MMBBA Legislative Committee**  
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MORTGAGE BANKERS ASSOCIATION

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## **GSES, FHFA, HUD IMPLEMENT ROV REQUIREMENTS – WHAT LENDERS NEED TO KNOW**

**By John Holbrook**

In May, Fannie Mae, Freddie Mac (GSEs) and the Federal Housing Finance Agency (FHFA) announced the implementation of new lender requirements for reconsiderations of value (ROVs), effective Aug. 29, 2024. In collaboration with the U.S. Department of Housing and Urban Development (HUD), the agencies set out to create a consistent, industrywide framework for borrowers to appeal appraisal results. Additionally, HUD announced its revised policies in May and states these policies will become effective Sept. 2, 2024.

Previously, there was no industry-standard process for borrowers to initiate an ROV, nor for how lenders should follow up on an ROV request. The new GSE, FHFA and HUD policies seek to create a clear, consistent ROV process for both lenders and borrowers, and are also designed to help prevent potential discrimination in valuations as well as support Appraisal Independence Requirements (AIR).

### **WHAT IS AN ROV?**

An ROV is a formal request sent by a lender to either an appraisal management company or an appraiser—to reconsider the analysis and conclusions in a residential property appraisal.

A lender will ask for an ROV if an appraisal doesn't meet the minimum standards of agency regulations or if requested by the borrower. Reasons for an ROV could include issues such as possible factual inaccuracies or omissions, inadequate comparable sales or potential biases.

### **WHAT PROMPTED THE NEW ROV REQUIREMENTS?**

In June 2021, President Joe Biden created the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) to address inequities in the property appraisal process. The task force was directed to evaluate the causes, extent and consequences of appraisal bias, and to form an action plan aimed at advancing appraisal equity.

As a result of the PAVE Action Plan, in June 2023, five federal agencies requested public comment on proposed guidance for ROVs. Since the request, the GSEs and other stakeholders collaborated to create a clearer and more transparent ROV process that resulted in the May announcements by Fannie Mae, Freddie Mac, FHFA and HUD.

**WHY ARE ROVS SO IMPORTANT IN THE MORTGAGE PROCESS?**

Credible collateral valuation is critical to public trust and to the integrity of residential real estate lending. Inaccurate property value scan negatively affects a consumer's ability to sell, purchase or refinance a home.

Inaccurate valuations also impact the surrounding communities and neighborhoods. For example, sold prices of properties that receive inaccurate appraisals become the comparable sales in a neighborhood. This impacts the value of other nearby properties and further affects residents' ability to refinance or sell their home.

Additionally, incorrect valuations affect financing and taxes and can expose lenders to the risk of fines and lawsuits. ROVs help ensure there are controls in place to promote valuation accuracy.

**WHAT ARE THE NEW GSE ROV REQUIREMENTS FOR LENDERS?**

The new requirements for lenders include operationalizing ROV policies and procedures, providing appraisers with a standardized ROV request that complies with AIR, managing the results, and retaining all documentation and communication in the loan file.

**HERE IS A SUMMARY DESCRIPTION OF THE GSES' PROCESS FLOW FOR ROVS:**

- **Disclosures:** the lender must provide the borrower with two disclosures about their right to appeal an appraisal—the first at the time of loan application and the second when the appraisal is delivered to the borrower.
- **Guidance:** the lender must also provide the borrower with instructions and guidance on initiating a ROV request.
- **Borrower Request:** the request must be submitted by a borrower prior to loan closing; the borrower completes the minimum requirements and sends the ROV request to their lender.
- **Lender Review:** the lender verifies that the borrower's request has merit and contains all required information; the lender will gain clarity from the borrower if needed.
- **Lender Requests an ROV from Appraiser:** if the lender believes the borrower's ROV request has merit, then standardized communication is sent to the appraiser.
- **Appraisal Revision or Confirmation:** the appraiser analyzes the information in the request and revises the original appraisal with a description of the points in dispute as well as the results of the consideration of the request.
- **Appraiser Sends Report to Lender:** the appraiser delivers a revised report to the lender within the defined time frame.
- **The lender communicates results to the borrower.**

If material deficiencies were not corrected in the appraisal report or if the report contains suspected overt violations of anti-discrimination laws, the lender must disclose these deficiencies to licensing and regulatory agencies. Additionally, the lender may obtain a second or subsequent appraisal report.

**PREVENTING UNNECESSARY ROV REQUESTS**

Both Fannie and Freddie have guardrails to help protect the lender against unnecessary borrower complaints about appraisals. For example, the GSEs require borrowers to provide factual information, such as data and comparable as well as an explanation of their concerns and how they believe these could impact the property value.

**FAIR AND SOUND VALUATIONS**

We all want a fair and sound property valuation process—and the new ROV requirements will help support this process. Consumers are often unaware they have options when it comes to a lower-than-expected property valuation, so it only makes sense that ROV processes be transparent.

Not only will a clear ROV process help address potential valuation discrepancies, but it will also lead to improved borrower satisfaction, which is crucial in today's market where finding new customers is challenging at best.

Finally, transparent, consistent ROV processes will help lenders mitigate the risk of fines, lawsuits, civil penalties and other losses that are important to their reputation and financial stability.

The information provided in this article about the new ROV requirement is intended as a general overview only. Please refer to the Fannie Mae and Freddie Mac guidelines for more detailed information. Any information provided by these agencies takes precedence over the steps described in this article.

**JOHN HOLBROOK** is Vice President of Digital Valuation Solutions within the Fixed Income & Data Services business at ICE Mortgage Technology. Holbrook has more than 28 years of experience in collateral risk and valuation, having held various roles as an appraiser, USPAP instructor and strategic roles at LPS, Fannie Mae, Collateral Analytics and Black Knight.

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