

# ROV Revolution: How New Policies are Shaping Home Valuation



Presented by Bill Waltenbaugh and Chris Seymour

# Introductions



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*Moderator*



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*Presenter*

# Agenda

In today's webinar, we will explore several key topics shaping the future of the Reconsideration of Value (ROV) process in home valuation.

- Property Appraisal and Valuation Equity (PAVE) Action Plan:
  - We'll start by examining the PAVE action plan, which lays the foundation for addressing disparities and promoting fairness in property appraisals
- Understanding Different Types of Requests: QC, Underwriting, and ROV:
  - We will identify the difference between an AMC Quality Control (QC) request, a lender's Underwriting (UW) request, and a borrower's request for a Reconsideration of Value (ROV)
- Compliant ROV Process Elements:
  - We'll break down the essential elements of a compliant ROV, clarifying the roles and expectations of each party involved—borrowers, lenders, AMCs, and appraisers
- NAN's Policy and ROV Form:
  - Finally, we'll examine NAN's specific policies and the ROV form, highlighting how they align with the broader industry standards
- Questions:
  - We'll conclude with a Q&A session to address any questions



Before we discuss our first topic, let's consider the importance of this discussion.

The Reconsideration of Value (ROV) process is at the forefront of efforts to ensure equity and consistency in property valuations. Understanding these new standards and frameworks is crucial for all stakeholders as the industry evolves.

Let's begin with an overview of the Property Appraisal and Valuation Equity (PAVE) action plan.

# Property Appraisal and Valuation Equity (PAVE) Action Plan

Launched by the U.S. Government

- Announced by President Biden on June 1, 2021
- A comprehensive effort to eliminate racial and ethnic biases in home appraisals

Objective: Closing the Racial Wealth Gap

- Ensuring fair home valuations for all Americans, regardless of race or ethnicity
- Addressing historical and systemic mis-valuations that have disproportionately affected communities of color

PAVE Task Force

- Co-chaired by HUD and the White House Domestic Policy Council
- Collaboration of 13 federal agencies to evaluate and address appraisal bias

Mission:

- To provide a fair opportunity for generational wealth building through equitable homeownership



# PAVE and the ROV Process.

## ROV – An Essential Component of PAVE

- Integral to the Property Appraisal and Valuation Equity (PAVE) action plan
- Focused on addressing and correcting potential biases or inaccuracies in home appraisals

## Purpose:

- Challenging Inaccurate or Biased Appraisals
  - ❖ Allows homeowners and buyers to contest valuations they believe are inaccurate or influenced by bias
  - ❖ Provides a formal and standardized process to request a reassessment of property value

## Promoting Equity and Accountability:

- Supports a broader culture of fairness, transparency, and accountability in the appraisal industry
- Advances PAVE's mission of achieving property valuation equity across the nation

Having explored the PAVE initiative and the origin of a standardized Reconsideration of Value (ROV) policy, we now focus on understanding the different types of revision requests.

As intermediaries, AMCs play a pivotal role in ensuring that appraisals are fair and compliant with the latest regulatory standards.

Let's start by exploring the different types of requests AMCs manage and why this understanding is essential.

# Understanding Different AMC Requests: QC, Underwriting, and ROV:

Despite the purpose, all revision requests sent to the appraiser come from the AMC



## AMC Quality Control (QC) Revision Requests:

- **Purpose:** To ensure that the appraisal report meets the requirements outlined in the client's Letter of Engagement (LOE) and adheres to industry standards.
- **Focus:**
  - **Compliance with Guidelines:** When applicable, the AMC reviews the report to ensure it aligns with Fannie Mae's, Freddie Mac's, and the HUD/FHA Handbook's selling guides.
  - **Completeness and Accuracy:** The AMC checks for inconsistencies, errors, or missing information that might affect the report's quality.
  - **Client-Specific Requirements:** The AMC ensures the appraisal report satisfies any unique conditions or instructions specified in the LOE.

# Understanding Different Requests: QC, Underwriting, and ROV:

## Lender's Underwriting (UW) Requests:

- **Purpose:** To address specific collateral risk concerns critical to the lender's decision-making process.
- **Focus:**
  - **Collateral Risk Evaluation:** The lender's underwriter may request additional information or clarification to accurately assess the property's risk.
  - **Missed Items:** UW requests might include issues that the AMC overlooked or did not address during their QC review.
  - **Need for More Detail:** Underwriters may ask for more detailed explanations or additional data to ensure the appraisal fully supports the loan's approval. This might include a request to consider other sales.

# Understanding Different Requests: QC, Underwriting, and ROV:

## Key Differences between QC and UW Requests:

- AMC QC requests are broader, covering adherence to LOE requirements and general industry standards
- UW requests are more focused on specific collateral risk and compliance concerns.

# Understanding Different Requests: QC, Underwriting, and ROV:

## Borrower Initiated ROV Requests:

**Definition:** A borrower-initiated Reconsideration of Value (ROV) request is a formal request by the borrower to reassess the appraised value of a property. This request must be submitted through the lender when the borrower believes the original appraisal is inaccurate, deficient, or biased.

### Key Elements:

- **Purpose:** To challenge the appraised value and seek a fair reassessment based on additional information, data, or comparable sales provided by the borrower.
- **Process:** The borrower submits the request, including supporting documentation such as alternative comparable properties or relevant market data, to justify a change in the appraised value.
- **Timing:** The ROV request must be submitted and processed before the loan is closed; no ROV requests can be considered after closing.
- **Outcome:** The appraiser reviews the additional information and decides whether to adjust the appraised value. If accepted, the revised value can impact the loan approval and terms.

# Understanding Different Requests: QC, Underwriting, and ROV:

## Overview of QC, UW, and Borrower-Initiated ROV Requests

Aspect	Quality Control (QC) Request	Underwriting (UW) Request	Borrower-Initiated ROV Request
<b>Requestor</b>	Appraisal Management Company (AMC)	The lender's Underwriter or collateral risk SME staff	Borrower (via the lender)
<b>Purpose</b>	Ensure consistency and compliance with the LOE and industry standards	Address specific collateral risk concerns; ensure compliance	Reassess appraised value based on additional information
<b>Focus</b>	Report completeness and quality	Specific risk and quality issues in the appraisal	Appraisal value and fairness
<b>Process</b>	Request(s) by the AMC to meet required standards and expectations	Targeted revision(s) to meet underwriting criteria	Single opportunity before loan closing
<b>Outcome</b>	Enhanced report quality and compliance before submission	Clearance for loan approval based on resolved appraisal issues	Potential adjustment to appraised value

# The Framework: Consistency in ROV Policies Across Agencies

A Unified Approach Across Fannie Mae, Freddie Mac, and HUD/FHA

Consistent Framework with Minor Procedural Differences:

- The policies of Fannie Mae and Freddie Mac essentially have the same ROV expectations and requirements
- While HUD/FHA may have minor procedural differences, the overall spirit and framework are consistent with the GSEs

One Policy for All:

- To meet the expectations of all three agencies, a lender's ROV policy needs to address several core elements to ensure consistency and compliance across the board



Now that we've explored the standardized ROV process across agencies, it's essential to understand the specific roles and expectations of each party involved.

From borrowers to lenders, AMCs, and appraisers, each has a critical role in ensuring the ROV process is fair, transparent, and compliant.

Let's dive into the elements of a compliant ROV and the responsibilities of all stakeholders.

# Borrower Responsibilities in the ROV Process

1. Initiating the ROV Request:
  - Submit a Formal Request: If the borrower believes the appraisal is inaccurate or biased, they must formally request a reconsideration of value (ROV)
  - One Request Per Appraisal: Understand that only one ROV request per appraisal will be processed
  
2. Providing Supporting Information:
  - Detailed Explanation: Clearly identify and describe any specific areas in the appraisal that are unsupported, inaccurate, or deficient
  - Additional Comparable Sales: Provide up to five alternative comparable sales or relevant data, including sources such as MLS listings, that support the request for reconsideration
  
3. Communicating with the Lender:
  - Respond to Inquiries: Provide any additional information or clarification requested by the lender to support the ROV process
  
4. Timing of the ROV Request:
  - Before Loan Closing: The ROV request must be completed and processed before the loan is closed. It cannot be processed after closing

# Lender Responsibilities in the ROV Process

1. Disclose to the Borrower their Right to Request an ROV
  - At Application: Initial Disclosure at Loan Application
  - Upon Delivery: Disclosure Upon Appraisal Delivery
2. Review the Initial Appraisal Report:
  - Conduct Thorough Review: Evaluate the original appraisal report to identify potential deficiencies or concerns before initiating the ROV process
3. Assessing the ROV Request:
  - Review the Borrower's Request: Thoroughly evaluate the borrower's ROV request to ensure it is valid, supported by adequate documentation, and meets appraiser independence requirements
  - Communicate with the Appraiser: Submit the ROV request to the appraiser or AMC using a standardized format and ensure clear communication throughout the process
4. Reviewing the Revised Appraisal:
  - Evaluate Revisions: Carefully review the revised appraisal report to confirm that all issues have been adequately addressed
  - Make Final Decision: Determine the credibility and reliability of the revised report before proceeding with the underwriting decision

# AMC Responsibilities in the ROV Process

1. Intermediary Role:
  - Act as a bridge between the lender and the appraiser, ensuring all communications comply with regulatory requirements, especially Appraiser Independence Requirements (AIR)
2. Monitoring Requests for Compliance with ROV Policy:
  - Confirm that ROV requests from lenders are detailed and comprehensive, meeting the lender's expectations and providing the appraiser with clear, actionable information
3. Quality Control of the ROV Process:
  - Ensure that revised appraisal reports from appraisers fully address all concerns and issues identified in the ROV request
4. Documentation and Retention:
  - Maintain all documentation and communication related to the ROV process within the assignment ordering platform, ensuring thorough record-keeping and easy access for audits or reviews

# Appraiser Responsibilities in the ROV Process

1. Reviewing the ROV Request:
  - Assess the Request: Thoroughly review the ROV request submitted by the lender or AMC, focusing on the identified concerns or deficiencies
  - Consider Additional Data: Evaluate any additional comparable sales or data provided in the ROV request, considering their relevance and impact on the original appraisal
2. Responding to the ROV Request:
  - Provide a Revised Appraisal Report: Address all concerns raised in the ROV request, and if applicable, make necessary adjustments to the appraisal report
  - Include Specific Commentary: Clearly explain the rationale behind any changes made or provide detailed commentary supporting the original valuation if no changes are warranted
3. Timing and Record Keeping:
  - Submit in a Timely Manner: Complete and submit the revised appraisal report within the reasonable timeframe specified by the lender or AMC
  - Comprehensive Records: Keep detailed records of the original appraisal, the ROV request, and the revised appraisal report, including all communications related to the ROV process

Having covered the roles and responsibilities of all parties involved in the ROV process, it's time to focus on how these principles are applied in practice.

NAN's ROV policy and form are designed to align with industry standards, ensuring a consistent, fair, and compliant approach.

Next, we'll explore the specifics of NAN's policy and examine the NAN ROV form.

# NAN's Reconsideration of Value (ROV) Policy

## Purpose and Objective

- Provide a fair and accessible process for borrowers or their approved representatives to request reconsiderations of value (ROV)
- Provide clear guidance for submitting and processing Reconsideration of Value (ROV) requests that align with industry regulations and expectations
- Facilitate effective communication and resolution between lenders, appraisers, and borrowers
- Maintain the credibility and reliability of the appraisal process

# NAN's Reconsideration of Value (ROV) Policy

## One Reconsideration of Value (ROV) Request

- One and Done: In alignment with agency guidelines and Appraiser Independence Requirements (AIR) principles, NAN will accept only one Reconsideration of Value (ROV) request per appraisal assignment
- Borrower Participation: It is essential that the borrower be involved in this process. This format provides them with a voice and an opportunity to present additional information or comparable properties that they feel will impact the appraisal outcome
- AIR Compliance: This requirement also supports the spirit of AIR, ensuring that the appraiser's independence and objectivity are maintained, as multiple requests could compromise the appraisal's integrity

By adhering to this policy, NAN upholds the principles of AIR, ensures regulatory ROV compliance, and fosters a fair, transparent, and efficient ROV process.

- Exceptions: Second requests may be made if exceptional circumstances support the need for a second request, primarily identifying inaccurate facts or materially deficient errors



# NAN's Reconsideration of Value (ROV) Policy

## Required ROV Content

To ensure a thorough and efficient process, each Reconsideration of Value (ROV) request submitted to NAN must include the following information:

1. Borrower and Property Information:

- Full name(s) of the borrower(s)
- Property address

2. Appraisal Information:

- Effective date of the original appraisal
- Appraiser's name
- Date of the ROV request

3. Contact Information and Role:

- Contact information and the role of the person submitting the ROV request on behalf of the borrower, if applicable (e.g., loan officer, real estate agent)



# NAN's Reconsideration of Value (ROV) Policy

## Required ROV Content

### 4. Identification of Issues:

- Clear identification and detailed description of specific areas in the appraisal report considered unsupported, inaccurate, or deficient
- Explain why these areas are believed to be problematic, including any perceived inaccuracies, deficiencies, or discriminatory concerns

### 5. Supporting Data and Comparable Properties:

- Additional information or data that supports the request for reconsideration
- Up to five alternative comparable properties, including their sources (e.g., Multiple Listing Service (MLS) listings)

### 6. Rationale for Reconsideration:

- Explain why the alternative comparables and additional information are relevant and should be considered in the revised appraisal, providing a detailed rationale for how it materially impacts the valuation

This format includes all the required information identified in the agencies' policies, providing a comprehensive basis for the appraiser to review and address the identified concerns.

## Reconsideration of Value (ROV)

To ensure a thorough and efficient process, each Reconsideration of Value (ROV) request submitted to Nationwide Appraisal Network (NAN) must include the following information.

Date of Request: \_\_\_\_\_

### Property, Borrower, and Loan Information

Property Address	Borrower(s) Name	Loan or File Number

### Contact Information

Name of Requestor	Affiliation to Property	Email Address	Phone #

### Appraiser and Appraisal Information

Appraiser Name	Effective Date of Report	Appraised Value

### ROV Policy Information

In alignment with agency guidelines and Appraiser Independence Requirements (AIR) principles, NAN will accept only one Reconsideration of Value (ROV) request per appraisal assignment. It is essential that the borrower be involved in this process. Allowing the borrower to initiate or participate in the ROV request ensures transparency and enables them to present additional information or comparable properties that may impact the appraisal outcome. In addition, this policy supports the spirit of AIR, ensuring that the appraiser's independence and objectivity are maintained, as multiple requests could compromise the appraisal's integrity.

### Attestation of Borrower ROV Approval

I attest that the borrower has been informed of and approves this Request for Reconsideration of Value (ROV) as their sole attempt during the appraisal process. I confirm that this is the only ROV being submitted on behalf of the borrower.

**By checking this box, I confirm that the borrower is aware of and approves this ROV as their only request. Without specific approval, only one ROV request can be submitted per assignment. Exceptions may be made if exceptional circumstances support the need for a second request, primarily identifying inaccurate facts or materially deficient errors. The Chief Appraiser at NAN must approve any subsequent ROV requests.**

By adhering to this policy, NAN upholds the principles of AIR, ensures regulatory compliance, and fosters a fair, transparent, and efficient ROV process. This approach strengthens the integrity of property valuations, protects consumer interests, and promotes equitable treatment in the real estate market.

# NAN's Reconsideration of Value (ROV) Form – Page #2

Identify and describe the appraisal report's unsupported, inaccurate, or deficient areas.

Alternative comparable closed sales for consideration. No more than five sales can be provided.

	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5
Street Address					
City or Zip					
Approx. Dist.					
Data Source					
Sale Date					
Sale Price					
Age					
GLA/Size					

Check the box below that identifies why the above sale(s) are more comparable to the subject than the sales already used in the report.

- The following sale(s) are more similar in Gross Living Area (GLA) to the subject. **Sale(s):** \_\_\_\_\_
- The following sale(s) are closer in proximity to the subject. **Sale(s):** \_\_\_\_\_
- The following sale(s) are closer to the subject's age (year built). **Sale(s):** \_\_\_\_\_
- The following sale(s) are more similar in condition to the subject. **Sale(s):** \_\_\_\_\_
- The following sale(s) have more recent transfer dates than those used in the report. **Sale(s):** \_\_\_\_\_
- The following sale(s) are more similar in design, appeal, or amenities to the subject. **Sale(s):** \_\_\_\_\_

Additional Data and Rationale for why this information supports the ROV.

This form includes all the information required by the agencies' policies. However, NAN will accept other forms if they meet the aforementioned requirements and expectations.

# NAN's Reconsideration of Value (ROV) Form – Page #2

Reason for Being More Comparable	Sale(s)
More Similar in Gross Living Area	Sale #1, Sale #2
Closer in Proximity	Sale #3
Closer in Age	Sale #1
More Similar in Condition	Sale #2
More Recent Transfer Dates	Sale #3, Sale #4
More Similar in Design/Appeal	Sale #5

# NAN's Reconsideration of Value (ROV) Policy

## ROV Submission

- Clients will submit ROV requests through the relevant platform or by email.
- A NAN Staff Appraiser will consult the client's profile to confirm that the ROV received meets the client's ROV policy related to the submission process and eligible requestor
- Next, the NAN Staff Appraiser will check the following:
  - ✓ That the request includes all the required ROV content mentioned earlier
  - ✓ That the request is compliant with Appraiser Independence Requirements (AIR)
  - ✓ That no more than five sales are included in the request
  - ✓ That comparable sales, if provided, are not already included in the original appraisal report
- Upon confirming the ROV's compliance and the need for further action, the staff appraiser will make the ROV request visible to the appraiser and request a revised report that addresses all the concerns outlined in the ROV within 48 hours.

# NAN's Reconsideration of Value (ROV) Policy

## NAN Staff Appraiser ROV Review

- Once the appraiser's revised report is completed and uploaded, a Staff Appraiser will begin the review process
- All Revised Reports (RR) are evaluated for completeness, compliance, and validity by a qualified Staff Appraiser
- Upon validation of an appropriate response, the amended appraisal report is made available to the client
- A log of all ROVs and their results will be recorded for future reference

## NAN's ROV Resources Page

- Please visit <https://nan-amc.com/rov/> for additional resources regarding the ROV process

Questions?