



# WHOLESALE ANNOUNCEMENT 2024-45

June 18, 2024

FHA

## Guideline Updates

### Effective Date

Effective immediately

### Update/Summary

- FHA guidelines have been updated as follows:

#### **Second Appraisal by Original Mortgagee**

- Material deficiencies on appraisals are those deficiencies that have a direct impact on value and marketability or that indicate a potential violation of fair housing laws or professional standards related to nondiscrimination. Material deficiencies include, but are not limited to:
  - statements related to characteristics of a protected class unless fair housing laws permit consideration of the characteristic, such as age-restricted housing or housing with certain accessibility features.
- When the underwriter considers the Appraiser unable to resolve material deficiencies due to the nature of the deficiency, they may forgo communication with the Appraiser before obtaining a second appraisal. The Mortgagee must report appraisals replaced due to material deficiencies to the applicable State Appraiser Regulatory Agency

#### **Underwriting the Borrower Using the TOTAL Mortgage Scorecard (TOTAL) One-Unit with an Accessory Dwelling Unit**

- Must verify and document the proposed Rental Income from the ADU by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report (URAR), and a Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule, showing fair market rent and, if available, the prospective leases
- The amount of the Rental Income from an ADU used as Effective Income must not exceed 30 percent of the total monthly Effective Income used to qualify the Borrower
- Required Reserves for One-Unit with an Accessory Dwelling Unit Properties
  - If Rental Income is being used as Effective Income to qualify the Borrower, you must verify and document Reserves equivalent to two months' PITI after closing for one-unit with an ADU Properties

#### **Documenting the Transfer of Gifts**

- The Mortgagee must verify and document the transfer of Gifts from the donor to the Borrower in accordance with the requirements below:
  - For Gifts that will be verified prior to settlement, the Mortgagee must obtain one of the following
    - the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account;
    - a copy of the donor's canceled check and evidence of deposit into the Borrower's account;
    - a copy of the donor's withdrawal receipt and evidence of deposit into the Borrower's

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- account; or
- evidence of the electronic transfer of funds from the donor's account to the Borrower's account
- For gifts that will be verified at settlement, the Lender must obtain one of the following evidencing payment to the settlement agent;
- Evidence of electronic transfer of funds from the donor's account;
- bank certified check;
- cashier's check or
- other official bank check
- Who May Provide Gifts of Land
  - Only Family Members may provide equity credit as a Gift on Property being sold to other Family Members.
  - For Gifts of land, the Lender must obtain:
  - proof of ownership by the donor; and
    - evidence of the transfer of title to the Borrower

### Acceptable Appraisal Reporting Forms

- One-Unit Single Family Dwelling with an Accessory Dwelling Unit
- When the highest and best use analysis determines the Property to be a Single-Family dwelling with an ADU, the Appraiser must:
  - provide a description of the ADU characteristics;
  - summarize the ADU's market acceptance;
  - report the Gross Living Area of the ADU separate from the primary dwelling;
  - state whether the ADU can be legally rented without restrictions; and
  - report the current ADU occupancy and the relevant details of any known lease agreements.
  - (b) Optional Accessory Dwelling Unit Market Rent Analysis
- The Mortgagee may request an opinion of the ADU market rent in the scope of work. The Appraiser may provide the ADU market rent only if:
  - the highest and best use is determined to be a one-unit Single Family dwelling with an ADU;
  - the ADU is legally rentable without restrictions; and
  - the Appraiser determines that a non-transient (see Restriction on Investment Properties for Hotel and Transient Use) monthly market rent can be credibly developed.
- The analysis of the rental data must include support for the ADU comparable rental selections, the adjustments applied, and the opinion of the ADU market rent. The Appraiser must include the ADU opinion of market rent on Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule, as an attachment to the appraisal and include the following supplemental statement: "This form is completed to provide FHA an opinion of the market rent of the subject's legally rentable Accessory Dwelling Unit (ADU). Sufficient competitive market data exists to develop credible results." Appraisers completing the optional ADU market rent analysis must comply with FHA's Appraiser Competency Requirement. The Appraiser must contact the Mortgagee if unable to fulfill a request for ADU market rent analysis. (c) Comparable Selection for Optional Accessory Dwelling Unit Market Rent Analysis The



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Appraiser must include a sufficient number of comparable rents to produce a credible ADU market rent estimate. The comparables used to develop the ADU market rent must not include properties rented for hotel or transient purposes, or for periods less than 30 Days. The Appraiser must include at least one comparable rental that is a Single-Family dwelling with a rented ADU. If a Single-Family dwelling with a rented ADU is not available, the Appraiser must supplement with the most appropriate rental available and summarize the reason for the selection and how the marketability of the ADU was determined

**Should you have any questions, please reach out to your Account Executive or Client Manager**