



## **Reconsideration of Value Policy and Procedures**

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**RECONSIDERATION OF VALUE POLICY AND PROCEDURES**

## I. INTRODUCTION

### A. BACKGROUND

In October 2022, the CFPB issued a notice informing borrowers that an appraised value can be challenged with a request for a Reconsideration of Value (ROV). The CFPB indicated that lenders should provide clear information to applicants regarding their right to a ROV and the lender's internal requirements for submitting a ROV. Specifically, the CFPB stated:

*Responsible lenders focused on serving their customers typically will provide borrowers with clear, actionable information about how to raise concerns about the accuracy of an appraisal. A lender's reconsideration of value process must ensure that all borrowers have an opportunity to explain why they believe that a valuation is inaccurate and the benefit of a reconsideration to determine whether an adjustment is appropriate. While an individual lender's reconsideration of valuation process may vary, lenders must make sure that their reconsideration of value process is nondiscriminatory and available and accessible to all.*

*Some lenders include information about how to request a reconsideration of value in the copies of appraisals and other home valuations required under the Equal Credit Opportunity Act Valuations Rule. Other lenders may provide information about the reconsideration of value process and a borrower's ability to provide relevant information before an appraisal is conducted. When lenders provide borrowers with clear, plain-language notice of reconsideration of value opportunities, lenders help ensure that their reconsideration of value process is nondiscriminatory. Lenders that fail to have a clear and consistent method to ensure that borrowers can seek a reconsideration of value risk violating federal law.*

Thereafter, in June 2023, five federal agencies, including the CFPB, OCC and FDIC, requested public comment on proposed guidance addressing ROVs. The guidance provided suggestions on policies that financial institutions may implement to allow consumers to produce additional information for re-consideration of the appraised value. To date, this guidance has not been finalized.

In May 2024, FHA, Fannie Mae, and Freddie Mac each released new requirements in a collective effort to promote consistency and to standardize the ROV process. A working group within the Interagency Task Force of Property Appraisal and Valuation Equity developed these requirements in an effort to help combat appraisal bias. Fannie Mae and Freddie Mac updates are effective for loans with applications dated on or after October 31, 2024, but the Agencies encouraged lenders to implement the new requirements sooner. FHA requirements must be implemented for FHA case numbers assigned on or after October 31, 2024.

First Colony Mortgage Corporation (the "Company") implemented this Reconsideration of Value Policy and Procedures (the "Policy") to set minimum standards for providing borrowers and First Colony Mortgage Corporation (FCM) approved Mortgage Brokers with clear, actionable

information about how to raise concerns about the accuracy of an appraisal. Although the policy was designed specifically for the borrower, FIRST COLONY WHOLESale division permits FCM-approved Mortgage Brokers to submit a ROV on behalf of the borrower. The Company recognizes that the appraised value of a subject property often plays an integral part in the loan process. The appraised value can impact a borrower's qualification for the loan applied for. The Company strives to ensure the information contained within the appraisal is accurate and reflects the fair market value as of the date of the appraisal.

The Company's ROV process ensures that all mortgage loan applicants or their respective Mortgage Broker have an opportunity to explain why they believe that a valuation is inaccurate and the benefit of a reconsideration to determine whether an adjustment is appropriate. The Company also ensures that its ROV process is nondiscriminatory, clearly disclosed, and available and accessible to all.

## **II. POLICY & PROCESS**

The Company implemented this Policy to comply with Freddie Mac, Fannie Mae and FHA requirements by clearly outlining the process for handling ROV requests initiated by the Company, and Mortgage Brokers acting on behalf of the borrower. The Company's process includes, but is not limited to the following:

- A review and resolution procedure for a ROV request, including steps to appeal an appraisal report's findings when the mortgage loan applicant(s) believes the appraisal report or the appraiser's opinion of value is unsupported, may be deficient due to an unacceptable appraisal practice, and/or reflects discriminatory practices.
- A process for disclosure, both at the time of application and when the appraisal is delivered to the mortgage loan applicant, of (i) the ROV process to the mortgage loan applicant(s) and (ii) clear instructions for initiating a ROV request.
- A standardized format for communicating the rationale, requirements and supporting documentation related to the reconsideration request to the appraiser, as well as protocols for remediating deficiencies.
- Instructions for the appraiser to deliver a revised appraisal report that includes specific requirements, such as commentary explaining their conclusions, to the ROV request.
- Turn-time expectations and protocols for communicating results of the ROV to the mortgage loan applicant(s).
- Ensuring the Company adequately trains valuation and related staff (i.e. underwriters, etc.), to identify prohibited discriminatory practices and appraisal deficiencies through the valuation review and ROV processes.
- A requirement for the retention of all documentation and communications related to the initiation and outcome of the ROV in the loan file; and
- Incorporating this ROV Policy and procedures in the Company's Quality Control Plan.

## **III. APPRAISAL REVIEW**

Upon receipt of an appraisal, a member of the Company's trained underwriting staff (commonly the underwriter assigned to the loan file) reviews the appraisal and ensures that it is complete, accurate, and provides a credible analysis of the marketability and value of the property. All underwriting staff tasked with reviewing appraisals possess the requisite education, expertise, and competence to perform the review commensurate with the complexity of the transaction, type of real property, and the market.

The Underwriters appraisal review process includes measures for remediating deficiencies by requesting the following as necessary and appropriate: (i) a general correction, explanation, or substantiation from the appraiser, (ii) reconsideration of value from the appraiser, and (iii) in certain circumstances, obtaining a second appraisal from a different, independent appraiser or a Collateral Desktop Analysis. The Company documents any appraisal deficiencies, status of the appraisal, and all communication with the Appraisal Management Company (AMC) and/or the appraiser in the loan file and in the Appraisal Management portal. Alternatively, the Underwriter communicates any appraisal deficiencies to the Non-Delegated Correspondents (NDC) and not directly to their AMCs. Communication for both broker and Correspondent loans is primarily through adding an underwriting condition on the loan file and providing an updated Underwriting Decision.

At all times, the Company's appraisal review process, ROV process, and communication with the AMC and/or appraiser, must conform with safeguards for appraiser independence and comply with the Company's *Appraisal and Appraiser Independence Requirements Policy*. This requirement is enforced through the Appraisal Management Addendum of the contract between FCM and the NDC.

## **A. SECOND APPRAISALS**

With regard to ordering second appraisals, the Company adheres to specific investor and Agency guidelines. For example, FHA only permits a second appraisal to be ordered if the Direct Endorsement underwriter determines the first appraisal is materially deficient and the appraiser is unable or uncooperative in resolving the deficiency. The Company will fully document the deficiencies and the status of the appraisal within the mortgage file.

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:

- Failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house;
- Reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal;
- Fraudulent statements or conclusions when the appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy, and/or thoroughness of the appraisal submitted to the client; and

- 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, the Company may forgo communication with the appraiser before obtaining a second appraisal. No second appraisals will be ordered without the approval of the FCM Chief Credit Officer or delegate. The Company must report appraisals replaced due to material deficiencies (including those that indicate a potential violation of fair housing laws or professional standards related to non-discrimination) to the applicable State Appraiser Regulatory Agency. The AMC may also be notified as a courtesy.

The Company must also forward the appraisal report, along with a summary of findings, to the appropriate appraisal licensing agency or regulatory board if it identifies material deficiencies in the appraisal report that are not corrected or addressed by the appraiser upon request or if there is evidence of unacceptable appraisal practices. In addition, if there are suspected overt violations of antidiscrimination laws, the Company must report the appraiser to the proper local, State or federal agency.

#### **IV. BORROWER-INITIATED RECONSIDERATION OF VALUE**

The Company recognizes the importance of mortgage loan applicants having knowledge of the Company's ROV process and the opportunity to request a ROV. The Company provides an easy-to-understand disclosure at the time the mortgage loan application is submitted to FCM and provided within the initial loan disclosure package. and, again, the Appraisal Management Portal delivery process provides upon delivery of the appraisal report to the mortgage loan applicant with instructions that explain the borrower-initiated ROV process (i.e. how to submit the ROV request, including the information required and any limitations on information), the expected ROV processing times, and estimated turn-times for communicating the results of the ROV to the applicant. The disclosure explains that up to five (5) alternative comparable sales may be submitted for consideration and that the applicant may only submit one ROV request per appraisal. *See attached Exhibit B for the Company's ROV Initial Disclosure.*

After a loan has closed, an ROV request is no longer allowed to be submitted .

The Company established the following procedures for reviewing, submitting, and responding to ROV requests:

- Acknowledging receipt of the ROV request in writing (email acceptable if the Company has been communicating with the applicant or broker through this method and the Company has obtained e-consent) within two (2) business days of receipt;
- If the ROV request is unclear, deficient or otherwise incomplete, the Company must provide prompt written instruction to the requestor as to the issue, deficiency and/or incompleteness of the request, along with clear written instruction on what information is needed for a complete ROV request;

- Within 2 business days of the receipt of a completed ROV request, staff trained in underwriting or similar qualifications must thoroughly assess any initiated ROV request to determine the applicability of the ROV and the relevance and appropriateness of the information submitted prior to communicating with the appraiser. The Reconsideration of Value Form (*see Exhibit A*), which must be submitted in the Appraisal Management Portal to the appraiser to ensure standardized communication with the appraiser;
- The Company is responsible for confirming all ROVs comply with all applicable Company ROV requirements before submission to the appraiser.
- The ROV Form must include, at a minimum, the following information:
  - Borrower(s) name, property address, effective date of the appraisal, appraiser name, and date of the ROV;
  - Identification and description of unsupported, inaccurate, or deficient areas in the appraisal report;
  - Additional data, information, or comparable properties, not to exceed the maximum of five (5);
  - An explanation of why the new data submitted supports the ROV request
- As updates are available, FCM should provide written updates via email on the status of the ROV request to the requestor; and
- Promptly communicate the results of the ROV request in writing.

Regardless of the outcome of the ROV, the Company must ensure the appraisal report and opinion of value are reliable, adequately supported, and that the Company timely addresses the mortgage loan applicant(s)' concerns with the valuation.

## **V. UNDERWRITER REQUESTS FOR A RECONSIDERATION OF VALUE**

In the event for the Underwriting Manager, Team Lead, or underwriter requests a ROV, the Company requires the underwriter to provide additional information material to the value of the property (i.e. up to five alternative comparable sales for consideration) to the appraiser. The Underwriting Manager or Team Lead, along with the underwriter, (preferably the underwriter assigned to the loan file) will complete the Reconsideration of Value Form (*see Exhibit A*), which must be submitted in the Appraisal Management Portal to the appraiser.

The Company requires the appraiser to:

- Review all information and market data received from the underwriter; and
- Summarize the analysis of all information provided by the underwriter within a revised version of the appraisal report regardless of whether the appraiser determines that changes are not needed to address the issues identified in the ROV.

## **VI. RECONSIDERATION OF VALUE REQUIREMENTS**

The Company implemented ROV requirements to promote consistency when a perceived appraisal issue and/or appraisal deficiency exists. A reconsideration of value refers to a request from Company's underwriter, or another authorized Company employee with underwriting authority, the

Borrower or the Mortgage Broker acting on behalf of Borrower to the AMC and/or appraiser to re-assess the appraisal report based upon information that may affect the value conclusion. A request for general correction, explanation, or substantiation of valuation from the appraiser may be part of an underwriter's appraisal review process and does not necessarily amount to a request for ROV. The resolution of the ROV must be completed prior to loan closing. No costs associated with an ROV may be charged to the mortgage loan applicant.

The Company requires a standardized format for communicating the rationale, requirements and supporting documentation to the appraiser in relation to a ROV request. *See Exhibit A: Reconsideration of Value Form.* For all ROV requests, the Company's communication to the AMC and/or appraiser via the Reconsideration of Value Form includes the following:

- I. A description of the area(s) in the appraisal report that requires the appraiser's response;
  - o Appraisal is Inaccurate/Unsupported
  - o Appraisal is deficient
  - o Appraisal reflects prohibited discriminatory appraisal practices
- II. Detailed information, data, or relevant comparable sales as available;
- III. Only relevant comparable sales as of the effective date of the appraisal; and
- IV. No more than five (5) alternative comparable sales; and
- V. Instructions for the appraiser to deliver a revised appraisal report that includes specific commentary explaining their conclusions to the ROV request.

The Appraiser's response to the ROV request must be included in a revised version of the appraisal. For FHA transactions, the revised appraisal must be logged in FHA Connection (FHAC) and the Company must also retain all documentation associated with the ROV in the case binder. This includes, but is not limited to, all written communication between the Company, mortgage loan applicant, AMC, appraiser, and/or any other parties involved in the ROV process.

## **VII. RECORD RETENTION**

All documentation associated with the initiation and outcome of a ROV must be retained in the loan file including a copy of the ROV disclosure and all written communication among the Company, the requestor, the appraiser, and any other parties involved in the ROV process for seven years.

## **VII. CONCLUSION & ADOPTION**

All employees must abide by this Policy.

This Policy will be reviewed at least annually. This Policy has been amended on 2/9/2025

### **First Colony Mortgage Corporation**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

## EXHIBIT A

### Reconsideration of Value (ROV) Request Form



## Reconsideration of Value

After reading and understanding the Appraisal Reconsideration of Value Disclosure, please provide complete and accurate details which support your basis for the reconsideration request (ROV). If the form provides insufficient space, feel free to include additional information in your email or a separate word document. The more information you provide, the better the appraiser will be able to address your concerns. For borrower initiated requests, should you have any questions about how to complete the form, please contact your Loan Officer.

Once the form is complete, email the form and any supporting documentation to: [appraisaldesk@firstcolony.com](mailto:appraisaldesk@firstcolony.com)

#### Purpose of Reconsideration of Value

Select all options that apply to your request. Please only select those that are applicable.

- Correct and/or explain factual errors within the appraisal report
- Review additional sold comparables which sold prior to the effective date of the appraisal report
- Appraiser conduct concern
- Report concerns of appraiser bias or discrimination

#### General Guidelines of Acceptable Comparable Sales:

- Comparable sale must be for a closed purchase, no listings or contingent sales can be considered.
- The closed date must be no more than 12 months prior to the effective date on your appraisal and cannot be after the effective date on your appraisal.
- You must provide at least 2 additional comparables up to a total of 5.
- The comparable sale must be proximate to your home. While proximity may vary based on the rural or urban location of your home, keep in mind that the closer (and more similar in characteristics) the comparable, the more likely it will be considered appropriate and acceptable. If you live in a subdivision, condominium project, or PUD, recent sales in your development of similar homes are the most persuasive.
- Proximity is determined "as the crow flies" rather than the driving mileage between the comparable. "Visit <https://www.freemaptools.com> to help determine the "crow flies" distance from the subject property and proposed comp."
- The Gross Living Area of the comparable should be comparable to the subject property, typically the difference in GLA should be less than +/-20% of the subject.
- Comparable sales should have similar characteristics including the style of the home, size of the lot, GLA, room/bedroom/bathroom count, age, condition, and quality of construction.

Please do not supply more than 5 sold comparables for the appraiser to review.

#### Appraisal Information

Loan Number: \_\_\_\_\_  
Property Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Effective Date of Appraisal: \_\_\_\_\_  
Appraiser Name: \_\_\_\_\_

#### Contact Information

Applicant Full Name (First Name, Last Name): \_\_\_\_\_  
Loan Officer of Mortgage Company Name: \_\_\_\_\_  
Date ROV requested: \_\_\_\_\_

Complete all fields and save document, attaching additional documents as needed, then send it to [appraisaldesk@firstcolony.com](mailto:appraisaldesk@firstcolony.com)

## ROV Request Reason Summary

Please provide a summary of your reasoning for the value appeal request. Please do NOT list additional closed sales in the section below.

Please attach additional pages if text does not fit in this box.

Please provide a concise narrative below each comparable to explain why you believe the comparable provided is superior to those selected by the appraiser.

## 1st Proposed Comp for ROV

Property Address						Proximity of Subject	
Age of Property	Sale Price	Date of Sale	Beds	Bath	Site Size	GLA/Square Footage	Basement

Comp Address/Data Source/Comments

Please attach additional pages if text does not fit in this box.

Complete all fields and save document, attaching additional documents as needed, then send it to [appraisalsdesk@firstcolony.com](mailto:appraisalsdesk@firstcolony.com)

**2nd Proposed Comp for ROV**

Property Address	Proximity of Subject

Age of Property	Sale Price	Date of Sale	Beds	Bath	Site Size	GLA/Square Footage	Basement

Comp Address/Data Source/Comments

Please attach additional pages if text does not fit in this box.

**3rd Proposed Comp for ROV**

Property Address	Proximity of Subject

Age of Property	Sale Price	Date of Sale	Beds	Bath	Site Size	GLA/Square Footage	Basement

Comp Address/Data Source/Comments

Please attach additional pages if text does not fit in this box.

Complete all fields and save document, attaching additional documents as needed, then send it to [appraisalsdesk@firstcolony.com](mailto:appraisalsdesk@firstcolony.com)

**4th Proposed Comp for ROV**

Property Address					Proximity of Subject		
Age of Property	Sale Price	Date of Sale	Beds	Bath	Site Size	GLA/Square Footage	Basement

Comp Address/Data Source/Comments

Please attach additional pages if text does not fit in this box.

**5th Proposed Comp for ROV**

Property Address					Proximity of Subject		
Age of Property	Sale Price	Date of Sale	Beds	Bath	Site Size	GLA/Square Footage	Basement

Comp Address/Data Source/Comments

Please attach additional pages if text does not fit in this box.

## EXHIBIT B

### Appraisal Reconsideration of Value Disclosure

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**Loan Number:** \_\_\_\_\_

**Borrower(s):**

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**Property Address:** \_\_\_\_\_  
\_\_\_\_\_

**Loan Originator Company:** \_\_\_\_\_

**Loan Originator:** \_\_\_\_\_

First Colony Mortgage Corporation may order an appraisal to determine the property's value in connection with your mortgage application. You will receive a copy of the appraisal for this property promptly upon completion or at least three (3) business days before you are contractually obligated on the transaction.

As a borrower, you have the right to request a reconsideration of a home valuation if you believe it is unsupported, deficient due to unacceptable appraisal practices, or influenced by prohibited appraisal practices. This process, known as a "reconsideration of value" (ROV) or "Appraisal Appeal," allows you to point out factual errors or omissions in the appraisal report, identify unsupported or deficient areas, provide additional data or information (including up to 5 potentially comparable sales for the appraiser to consider), or present evidence that the appraisal was adversely influenced by prohibited factors.

To initiate an ROV, contact First Colony Mortgage's Appraisal Department within ten (10) business days via email:

[ROV@FirstColonyMortgage.com](mailto:ROV@FirstColonyMortgage.com)

When a request is submitted, you will be provided with documentation outlining the process requirements and expected timelines. At the end of the ROV process, you will receive an email response to the ROV.



**ROV or Appraisal Appeal Conditions/Limitations:**

- The ROV or Appraisal Appeal process, as identified by First Colony Mortgage Corporation, must be initiated by the applicant and completed per the First Colony Mortgage's ROV requirements.
- The ROV or Appraisal Appeal submission is subject to review for completeness and adherence to the specified requirements before being submitted to the appraiser. (Incomplete or non-compliant submissions will not be processed.)
- Only one ROV is permitted when the loan product requires an appraisal.
- By regulation, the appraiser can only respond to the Lender regarding an ROV or Appraisal Appeal request.

I acknowledge that I have received, read, and understood the information provided by [Lender Name] regarding my rights to request a reconsideration of value (ROV) or appraisal appeal, as well as the related conditions and limitations.

\_\_\_\_\_  
**Borrower Name**

\_\_\_\_\_  
**Co Borrower Name**

It is the policy of First Colony Mortgage Corporation not to discriminate against any applicant based on race, color, creed, religion, national origin, marital status, sex (including sexual orientation and gender identity), age, handicap, familial status, receipt of public assistance income, property location, or the good faith exercise of rights under the Consumer Credit Protection Act. This commitment to nondiscrimination applies to all aspects of a credit transaction. It aims to uphold the spirit of the Equal Credit Opportunity Act and similar laws, as adopted or subsequently amended.



## Appraisal Reconsideration of Value

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As a borrower, you are entitled to request a reconsideration of a home valuation if you believe it is unsupported, deficient due to unacceptable appraisal practices, or influenced by prohibited appraisal practices. This process, known as a Reconsideration of Value (ROV) or Appraisal Appeal, allows you to:

- Point out factual errors or omissions in the appraisal report.
- Identify unsupported or deficient areas.
- Provide additional data or information, including up to five potentially comparable sales for the appraiser to consider.
- Present evidence that the appraisal was adversely influenced by prohibited factors.

To initiate an ROV, please contact First Colony Mortgage's Appraisal Department within ten (10) business days via email at:

**ROV@FirstColonyMortgage.com**

Upon submitting a request, you will receive documentation outlining the process requirements and expected timelines. At the conclusion of the ROV process, you will receive an email response to the ROV.

### ROV or Appraisal Appeal Conditions/Limitations:

- The ROV or Appraisal Appeal process must be initiated by the applicant and completed in accordance with First Colony Mortgage's ROV requirements.
- The ROV or Appraisal Appeal submission is subject to review for completeness and adherence to the specified requirements before being submitted to the appraiser. Incomplete or non-compliant submissions will not be processed.
- Only one ROV is permitted when the loan product requires an appraisal.
- By regulation, the appraiser can only respond to the lender regarding an ROV or Appraisal Appeal request.

First Colony Mortgage Corporation policies strictly prohibit discrimination against any applicant based on race, color, creed, religion, national origin, marital status, sex (including sexual orientation and gender identity), age, handicap, familial status, receipt of public assistance income, property location, or the good faith exercise of rights under the Consumer Credit Protection Act. This commitment to nondiscrimination applies to all aspects of a credit transaction and aims to uphold the spirit of the Equal Credit Opportunity Act and similar laws, as adopted or subsequently amended.



It is the policy of First Colony Mortgage Corporation not to discriminate against any applicant based on race, color, creed, religion, national origin, marital status, sex (including sexual orientation and gender identity), age, handicap, familial status, receipt of public assistance income, property location, or the good faith exercise of rights under the Consumer Credit Protection Act. This commitment to nondiscrimination applies to all aspects of a credit transaction. It aims to uphold the spirit of the Equal Credit Opportunity Act and similar laws, as adopted or subsequently amended.