

## Revisions to Chapter 11 of the MAP Guide

### Lender Underwriting and HUD Review

Frequently asked questions, such as the one below have prompted the following revisions to Chapter 11 of the MAP Guide:

Question: Headquarters recently mandated that all applications must be processed using the Development Application Processing (DAP) system. This has created some questions, as DAP creates a new HUD 92264 to be used for the FHA Firm Commitment whereas the MAP guide directs that the HUD reviewers must sign the master HUD 92264 prepared by the lender, as modified by HUD staff reviewers. .

Which HUD 92264 should the HUD reviews sign? Also, what happens if the final HUD 92264 used in the commitment is different from the HUD 92264 signed by the lender?

Answer:

- 1. HUD's Review: HUD's review procedures have not changed with the initiation of mandatory DAP entry. HUD's technical specialists still review the lenders' submission and provide a recommendation of acceptance, modification, or rejection. If modifications are recommended, the field office makes the determination whether to modify the processing internally or to return it to the lender for modification based upon the scale or severity of the issue. Team leaders recommend whether to approve, reject, or require modification of an application based upon the recommendations of the specialists. Finally, the Hub/PC Director reviews all memoranda and issues the firm commitment, instructs the Team Leader to modify the Firm Commitment, returns the package to the lender for modification, or reject the application.**
- 2. DAP Data Entry: The information ultimately entered into DAP must reflect the final underwriting conclusions that were deemed to be acceptable, and the DAP generated 92264 with the acceptable underwriting conclusions should be attached to the firm commitment. If there were modifications to the lender's 92264 required, it remains the field offices discretion to either modify the 92264 internally or to return the 92264 to the lender to first complete the modifications before entry into DAP.**

**If a Team Leader or Director chooses to modify the underwriting conclusions that were developed by the HUD technical review team, the technician should be directed to re-open the processing and input the final modified conclusions in**

the DAP system with a note in the remarks section of the HUD 92264 that the final underwriting conclusions in DAP were modified by the Team Leader or Director and that they differ from those as determined by the technician.

3. **Signatures:** HUD technical reviewers, Team Leaders, and Directors should sign the HUD 92264 that is generated by DAP. This is the form that is to be attached to the firm commitment and it is imperative that HUD reviewers sign this version as their final concurrence.

If the HUD appraiser has not modified the underwriting conclusions submitted by the fee appraiser, he/she should sign the HUD 92264 as the "Review Appraiser". If the HUD appraiser has modified the underwriting conclusions submitted by the fee appraiser, he/she then becomes the primary appraiser and should sign the HUD 92264 as the Appraiser.

HUD review appraisers should sign the HUD 92264 generated by DAP, but should still review and sign the HUD 92273 and HUD 92274 prepared by the fee appraiser as DAP does not complete these forms due to streamlining. If the HUD appraiser recommends changes to the rent or expense conclusions derived by the fee appraiser, the HUD review appraiser must either modify the forms themselves, or return them to the fee appraiser for modification.

The lender signs the master HUD 92264 submitted with the application.

4. **USPAP Standard 3 Concerns for Appraisal Modifications made by HUD:** HUD's review appraisers have the option to modify appraisal conclusions internally or to return the application to the lender for modification. It is extremely important to note that should HUD's appraiser choose to modify the appraisal value, rent, or expense conclusions internally, as per USPAP Standard 3-1, that opinion becomes it's own appraisal whether it concurs with the opinion of value in the work under review or differs from the opinion of value in the work under review.

Per USPAP Standard 3, the reviewers' scope of work in developing their own value conclusions may be different from that of the work under review. The reviewer is not required to replicate the acceptable steps completed by the original appraiser, the items in the work under review that the reviewer concludes to be acceptable can be extended to the reviewer's value development opinion process on the basis of an extraordinary assumption. However, those items not deemed

**to be creditable must be replaced with information or analysis by the reviewer. These conclusions must be developed in conformance with USPAP Standard 1 and reported in accordance with USPAP Standard 2 on the HUD appraiser's review memorandum.**

**The reviewer should identify in the remarks section of the HUD 92264 that the reviewer's conclusions differ from that of the work under review that were submitted with the application.**

**The HUD appraiser is directed to continue to use the "joint signature" disclaimer identified in the MAP Guide when no modifications have been made to the fee appraiser's underwriting conclusions. If the HUD appraiser has modified the fee appraiser's underwriting conclusions, the disclaimer should be modified to note what extraordinary assumptions that the HUD review appraiser has relied upon and what conclusions were developed independently.**

**(12/8/03)**