

## Final Interagency Guidance on Reconsiderations of Value of Residential Real Estate

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While we reported in our last Cabinet News & Views on the [final rule regarding quality control standards for AVMs](#) which will take effect one year after publication in the Federal Register (i.e., it has not yet been published), the same set of agencies – the banking prudential regulators, CFPB and NCUA – have now issued [final interagency guidance addressing Reconsiderations of Value \(ROVs\) for residential real estate](#), which is a related, but entirely different topic. The proposed guidance was published last year and included definitions for ROVs and described a prescribed ROV process. The final interagency guidance shifted a bit based upon comments the agencies received, significantly with respect to clarifying the scope of the ROV process requirements and the amount of flexibility financial institutions have in constructing their ROV process to be in compliance with the guidance.

ROVs occur either when the financial institution identifies anomalies in appraisals or AVMs or when “a consumer [provides] specific and verifiable information that may not have been available or considered when the initial valuation and review were performed” of their property. ROVs should be available with respect to residential real estate, which specifically means “real estate-related financial transactions that are secured by a single 1-to-4 family residential property.” The interagency guidance identifies ROVs as being a process that can be used to address a wide variety of concerns and consumer complaints, perhaps most importantly consumer complaints regarding prohibited discrimination in appraisals.

To this end, an effective ROV process will do all of the following:

- Establish standardized processes to increase the consistency of consideration of requests for ROVs;
- Use clear, plain language in notices to consumers of how they may request the ROV;
- Use clear, plain language in ROV policies that provide a consistent process for the consumer, appraiser, and internal stakeholders;
- Establish guidelines for the information the financial institution may need to initiate the ROV process;
- Establish timelines in the complaint or ROV processes for when milestones need to be achieved;
- Establish guidelines for when a second appraisal could be ordered and who assumes the cost; and
- Establish protocols for communicating the status of the complaint or ROV and the lender’s determination to consumers.