naf Reverse

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Reverse mortgage appraisal: what happens and what can go wrong

QUICK ANSWER

For a HECM, the most common reverse mortgage, the lender orders an appraisal from an FHA-approved appraiser, and you pay the fee. The appraiser sets the home's value and checks that it meets HUD's property standards. That value, up to HUD's limit, drives how much you can borrow and some of your costs. I'll tell you plainly: the appraisal can bring surprises, so here's what happens and what can go wrong.

Key points

- **The lender orders it, you pay for it.** The lender picks an appraiser from FHA's roster. You can't choose the appraiser, and neither can a loan officer paid on commission.
- **The value sets your maximum claim amount.** That's the lesser of the appraised value or HUD's national limit ($1,249,125 for case numbers assigned in 2026), or the price if you're buying.
- **The appraiser also checks the home's condition.** Problems can mean repairs before closing, or after closing with money set aside from the loan.
- **A low value can be questioned, the right way.** The lender's underwriter can ask the appraiser for a reconsideration of value when relevant information was missed.
- **FHA may require a second appraisal.** If it does, the lower of the two values is used.
- **You have a right to a copy.** Federal law says you get a free copy promptly, or at least three business days before closing.

What the appraiser checks

The appraiser visits the home, inside and out, and does two jobs.

First, the value. The appraiser estimates what the home would sell for, using recent sales of similar homes nearby. Appraisers must follow national appraisal standards (USPAP), be on FHA's Appraiser Roster, and know your local market.

Second, the condition. HUD calls the appraiser the lender's "onsite representative" for its Minimum Property Requirements: the home must be safe, sound and secure. Under HUD Handbook 4000.1, the appraiser must, among other things:

- look at the roof and report it if it has less than two years of life left (that triggers a roofer's inspection);
- look at the foundation and structure for safety problems;
- report peeling or defective exterior paint (homes built before 1978 have extra lead-paint rules);
- look into the attic and crawl space where they can be reached safely, and flag water stains, dampness or mold smells;
- report known environmental and safety hazards.

Here's what I'd check first: walk your own home with that list in hand before the appraiser comes. For property types (condos, manufactured homes, ADUs, 2 to 4 units) and how repairs work, see which homes qualify.

Who orders it and who pays

The lender (or an appraisal management company it hires) orders the appraisal and pays the appraiser. HUD's rules keep the appraiser independent. The lender can't tell the appraiser a value it hopes for, tie payment to the value, or threaten to stop sending work to get a higher number.

You, the borrower, pay the fee. HUD lets the lender charge a "reasonable and customary" amount, no more than what it actually paid. FHA doesn't set appraisal fees.

When you pay depends on the lender and the timing rules:

- **No fees before counseling.** HUD doesn't let a lender charge any fee until it has your signed counseling certificate.
- **California adds a 7-day wait.** The lender can't charge any fee until 7 days after your counseling date (Civil Code 1923.2).
- **After that, the fee is often paid upfront.** Some lenders ask you to pay the appraisal fee when it's ordered, before closing, because the appraiser gets paid whether or not the loan closes. Others collect it at closing. Ask which, and whether any part is refundable if the loan doesn't go through. Get it in writing.

The appraisal fee is one of your closing costs. See what a reverse mortgage costs.

Why the value matters so much

Think of it this way: the appraised value is the starting point for almost every number in a HECM.

What the value affects	How
Maximum claim amount	The lesser of the appraised value, HUD's limit ($1,249,125 for 2026 case numbers) or the purchase price if you're buying
How much you can borrow	HUD's tables apply to the maximum claim amount, along with the youngest borrower's age and the expected rate. See how much you can get
Upfront mortgage insurance	2% of the maximum claim amount
Origination fee cap	Figured from the maximum claim amount

A lower value means a lower maximum claim amount, so less money is available. If your existing mortgage and costs are more than the loan can cover, you'd need to bring cash to closing, or the loan won't work. A value above HUD's limit doesn't raise a HECM's maximum claim amount.

Private (proprietary) loans, like HomeSafe and HomeSafe Second, set their own rules and limits; see types of reverse mortgages.

Whatever you borrow, the balance grows over time with interest, mortgage insurance and fees. There's no required monthly mortgage payment, but your property taxes, homeowners insurance, HOA dues and upkeep stay yours. A HECM is insured by the FHA, but that insurance protects the lender, not you. New American Funding is not acting for HUD, FHA or any government agency.

What can go wrong, and what to do

Problem	What HUD's rules say
The value comes in lower than you hoped	The underwriter may ask the appraiser for a reconsideration of value if the appraiser didn't consider information that was relevant on the appraisal date
The appraisal lists required repairs	Health and safety problems must be fixed before closing; smaller repairs (up to 15% of the maximum claim amount) can often be done after closing with a repair set-aside. See which homes qualify
FHA's system calls for a second appraisal	A different appraisal company does it, and the lower value is used
The appraisal gets too old before closing	It's good for 180 days; an update can extend it, with conditions
Leased solar panels or equipment	Left out of the value, and the lease can't block a future sale
You switch lenders	At your request, the first lender must transfer the appraisal within five business days (once it's been paid)

Asking for a reconsideration of value

The short version: you can't just ask for a new appraisal until you like the number. HUD forbids the lender from ordering another appraisal to get a higher value or to get rid of required repairs.

What you can do is give your loan officer facts the appraiser may have missed: recent sales of similar homes nearby, upgrades the report left out, or errors in the square footage or room count.

The underwriter decides whether to send a reconsideration request, along with all the relevant data, to the appraiser. If the information didn't exist on the appraisal date, the

appraiser may charge an extra fee, but you can't be charged for it if the delay wasn't your fault.

A second appraisal by the lender's choice is allowed only when the underwriter finds the first one materially deficient (for example, it missed obvious safety defects or used outdated or unlike sales) and the appraiser won't fix it. In that case, the lender pays.

My advice: send facts, not frustration. Stick to recent nearby sales and errors you can show.

When HUD requires a second appraisal

FHA runs every HECM appraisal through an automated review called the **collateral risk assessment**. If it decides more support for the value is needed, the lender must order a second appraisal from an appraiser at a different company. The lender must also leave enough time before closing for it.

You may have to pay for the second appraisal, and the cost can be financed as part of closing costs. When there are two appraisals, the lender must use the **lower** of the two values for the maximum claim amount. Your counselor and lender should tell you up front that this can happen.

How long a HECM appraisal is good for

A HECM appraisal is valid for **180 days** from its effective date, which is the day the appraiser inspected the home. If closing will run past that, the lender can order an appraisal update, which keeps it valid for up to one year from the original appraisal date.

An update is allowed only if the home hasn't lost value, still meets HUD's property standards, and the update is done before the loan funds.

An appraisal can't be reused for a new HECM case number, even if it's less than 180 days old. Start over with a new case, and you'll likely need a new appraisal.

Your right to a copy

Under the federal Equal Credit Opportunity Act rules (Regulation B, 12 CFR 1002.14), for a loan secured by a first lien on your home:

- Within three business days of your application, the lender must tell you in writing that you have a right to a copy of all appraisals.
- The lender must give you a copy of each appraisal or written valuation **promptly once it's done, or three business days before closing, whichever is earlier**.
- You can waive the timing and get it at or before closing instead, but the waiver must be given at least three business days before closing.
- You get the copy even if the loan is denied or you withdraw. (If you waived the timing and the loan doesn't close, you get it within 30 days.)
- The lender can't charge you for the copy. It can charge a reasonable fee for the appraisal itself.

HUD also requires the lender to give you a copy of its Statement of Appraised Value (form HUD-92800.5B). Under HUD's rules, the lender can discuss the appraisal only with you, the borrower. So if your family wants to be part of that talk, sit in on the call together.

The appraisal at the end of the loan

There's often one more appraisal later. When the loan comes due (the last borrower dies, sells, moves out for good, is away more than 12 months in a row for illness, or doesn't meet the loan terms), the home can be sold for the lesser of the full balance or 95% of its current appraised value.

When the borrower, the estate or an heir asks for an appraisal for a pending sale, the servicer must have one done within 30 days. If the loan is due, the servicer pays for it, and can be paid back from the sale.

If the loan isn't due yet, that appraisal is at the borrower's expense. See keep, sell or walk away.

A made-up example to show how it works. Your situation will be different.

Example: a low value and a reconsideration

Made-up example: *Felipe is not a real person, and these aren't real numbers or a quote.* Felipe, 71, owns a home in West Covina. His HECM appraisal comes in lower than recent sales on his street.

He notices the report lists one fewer bathroom than the home has, and it left out two nearby sales of similar homes from the last few months. He sends his loan officer the county record showing the bathroom and the sale addresses.

The underwriter sends a reconsideration request with that data to the appraiser. Felipe knows the value might not change. He's met with his counselor, his 7-day wait is over, and he understands the balance will grow and his taxes, insurance and upkeep stay his.

Made-up example: *Rosalind is not a real person.* Rosalind, 68, of Chino Hills, learns that FHA's collateral risk assessment calls for a second appraisal. Her lender orders one from a different appraisal company and moves her closing date to make room.

The second value is a little lower, so the lender uses it. Rosalind asks for a revised estimate, reviews it with her family, and goes ahead knowing she'll still pay her property taxes, insurance and HOA dues, and that her balance will grow over time.

Do and don't

My advice: get the home ready, keep copies of everything, and ask questions before you pay.

Do

- **Do** fix small, easy things before the visit: peeling paint, broken steps, a blocked attic hatch.
- **Do** make the attic, crawl space, water heater and electrical panel easy to reach.
- **Do** give the appraiser a list of upgrades with dates and permits, if you have them.
- **Do** ask when the appraisal fee is due and whether it's refundable, in writing.
- **Do** read your copy of the appraisal and check square footage, rooms and repairs.

Don’t

- **Don't** try to tell the appraiser what value you need. The rules protect the appraiser's independence.
- **Don't** pay a contractor who says a reverse mortgage will cover their bill before you've had counseling and an estimate.
- **Don't** let anyone require you to buy an annuity, insurance or an investment to get the loan. Nobody involved in the loan can require that.

Questions families ask

My parents' appraisal came in low. What can we do?

Gather facts: recent sales of similar homes nearby and any errors in the report. Give them to the loan officer and ask for a reconsideration of value. The underwriter decides whether to send it. A lender can't order a new appraisal just to get a higher number.

If the loan still doesn't work, ask about other options, including a private loan, which sets its own rules. See alternatives.

Who pays for a reverse mortgage appraisal?

You do. The lender orders it and pays the appraiser, then charges you a reasonable amount, no more than it paid. In California, no fee can be charged until 7 days after counseling. Some lenders collect it upfront after that, others at closing.

How long is a reverse mortgage appraisal good for?

For a HECM, 180 days from the inspection date. An update can extend it to one year from the original appraisal date, if the home hasn't lost value.

Why do I need a second appraisal?

FHA's automated collateral risk assessment decides when more support for the value is needed. A different appraisal company does it, you may pay for it (it can be financed), and the lower value is used.

Do I get a copy of the appraisal?

Yes, free, promptly once it's done or at least three business days before closing, whichever is earlier, even if the loan doesn't close.

Does the lender inspect the house after I sign?

There's no routine new appraisal during the loan. But keeping the home in good repair is one of your loan terms. If your servicer finds the home has deteriorated, HUD's rules give you 60 days to start repairs before the loan can be called due. Once a loan is due, the servicer must check monthly whether the home is vacant.

Sources (read November 3, 2026)

- HUD Handbook 4000.1 (last revised August 12, 2026), Section II.B.2 (HECM document age and appraisal validity, 180 days and updates; ordering appraisals and appraiser independence; transferring appraisals; collateral risk assessment and second appraisals; appraisal updates; counseling certificate before fees), II.B.3.b (maximum claim amount; lower of two values), II.B.4 (appraisal review, reconsideration of value, leased equipment, form HUD-92800.5B copy to the borrower; communication only with the borrower), II.B.6 (appraisal fee, reasonable and customary; second appraisal may be financed), II.D (appraiser observation of roof, structure, paint, attic and crawl space; FHA does not set appraisal fees), III.B.2 (sale at 95% of appraised value, required appraisals within 30 days and who pays, monthly inspections when due): https://www.hud.gov/sites/default/files/Housing/documents/40001-hsgh-Update-18.pdf
- 12 CFR 1002.14 (Regulation B, right to receive copies of appraisals): https://www.consumerfinance.gov/rules-policy/regulations/1002/14/
- HUD press release No. 25-145 (2026 HECM limit, $1,249,125): https://www.hud.gov/news/hud-no-25-145
- 24 CFR Part 206 (HECM rules: repairs, good repair, when the loan is due): https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- FTC, "Reverse Mortgages" (contractor pitches; no required add-on products; FHA insurance protects the lender): https://consumer.ftc.gov/articles/reverse-mortgages
- California Civil Code 1923.2 (counseling and the 7-day wait before an application or any fee): https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CIV&sectionNum=1923.2
- HUD housing counselor search: https://answers.hud.gov/housingcounseling/s/?language=en_US



Talk with me first

I'll answer your questions and tell you plainly if a reverse mortgage isn't the right fit. No pressure.

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Personal estimate and more free guides: thereverseguide.com. Before you can apply, you'll meet with an independent HUD-approved counselor; it's required.

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