



How Stronger ROV Policies Mitigate Risk

By Tracy Bush, CRCM, Senior Manager, Wipfli

In July 2024, federal agencies issued guidance to assist financial institutions in developing policies and procedures covering reconsideration of value (ROV) requests. While the guidance does not have the force and effect of law, it is recommended that it be followed to mitigate the risks of enforcement or litigation.

Guidance highlights

The interagency guidance (FDIC FIL-41-2024):

- Describes the risks of deficient residential real estate collateral valuations that remain uncorrected.

Continued on page 2

How I Work Susan McLaughlin

Meet Susan McLaughlin, Assistant Vice President Auditor and Financial Reporting Analyst at Merchants National Bank in Logan, Ohio. As a Certified Community Bank Internal Auditor (CCBIA), Susan shares how internal auditors play a vital role in community banking.

Q. Tell us your background/ how you got here?

A. I started in 1999 as a teller at a rural bank, then spent 15 years in operations and accounting. In 2018, I earned my CCBIA and became an

Continued on page 2

- Highlights how financial institutions may create or enhance ROV processes that are consistent with safety and soundness standards, comply with applicable laws and regulations (including nondiscrimination requirements), preserve appraiser independence and remain responsive to consumers.
- Provides examples of policies, procedures, control systems and complaint resolution processes that may help financial institutions identify, address and mitigate risks of deficient valuations, including those that may have involved discrimination.
- Describes actions that financial institutions may take to resolve valuation deficiencies, including resolving the deficiencies with the appraiser or preparer of the valuation report; requesting a review of the valuation by an independent, qualified and competent state-certified or licensed appraiser; or obtaining a second appraisal or evaluation.
- Reminds financial institutions that the use of third parties in the appraisal review process does not diminish their responsibility to oversee those activities in the same manner as if they were conducted by the institution itself.

Key background questions

What types of properties apply to the guidance?

For purposes of this guidance, the residential real estate lending process refers to financial transactions related to real estate that are secured by a single-family residential property, which includes those with one to four units.

What is considered a valuation?

A valuation includes appraisals, evaluations and other means used to determine the value of residential property.

How are deficiencies in the collateral valuation identified?

Deficiencies may be identified through the financial institution's valuation review or through consumer-provided information.

What may result in a deficient collateral valuation?

Collateral valuations may be deficient due to prohibited discrimination, errors or omissions, valuation methods, assumptions, data sources or conclusions that are otherwise unreasonable, unsupported, unrealistic or inappropriate.

What is the risk to applicants when collateral valuations are deficient?

Deficient collateral valuations can keep individuals, families and neighborhoods from building wealth through homeownership by potentially preventing homeowners from accessing accumulated equity, preventing prospective buyers

internal auditor. After our 2019 merger, I continued as an auditor and liaison, now also overseeing FDICIA controls.

Q. How do you structure your day for productivity?

A. Productivity comes down to prioritization and organization. I use a daily to-do list but stay flexible to adjust for higher-priority tasks as they arise.

Q. How do you keep track of tasks?

A. I use a standardized audit checklist to ensure consistency, along with Excel logs to stay organized. Outlook Tasks is also a favorite.

Q. What is a typical workday like?

A. I start by reviewing emails and submitting reports, then follow up on open audit items. Then I focus on projects, procedure updates, or FDICIA controls. My routine changes when auditors are onsite, I'm traveling, or have meetings.

Q. What challenge are you currently facing?

A. The biggest challenge I find is balancing strong FDICIA controls with the personalized, relationship-driven approach we're known for.

Q. What advice do you have for others in your role?

A. Stay flexible. Auditors wear many hats, so understanding

Continued on page 3

Continued on page 3

from purchasing homes, making it harder for homeowners to sell or refinance their homes and increasing the risk of default.

What is the risk to the financial institution when collateral valuations are deficient?

Deficient valuations may pose risks to a financial institution's financial condition and operations, such as loan losses, violations of law, fines, civil penalties, damages payments and civil litigation.

Under what circumstances would you be prohibited from using an appraisal that was prepared as part of the credit decision?

If a financial institution determines through the appraisal review process, or after consideration of information later provided by the consumer, that the appraisal does not meet the minimum standards outlined in the agencies' appraisal regulations and if the deficiencies remain uncorrected, the appraisal cannot be used as part of the credit decision. The appraisal cannot contain material errors, including errors of omission or commission.

What is an error of omission?

An error of omission is neglecting to do something that is necessary, e.g., failing to identify the subject property's relevant characteristics.

What is an error of commission?

An error of commission is doing something incorrectly, e.g., incorrectly identifying the subject property's relevant characteristics.

What types of actions could be taken to resolve a collateral deficiency?

Actions may include resolving the deficiencies with the appraiser or preparer of the valuation report, requesting a review of the valuation by an independent, qualified and competent state-certified or licensed appraiser, or obtaining a second appraisal or evaluation. The financial institution is permitted, among other things, to request that the preparer of the valuation report consider additional, appropriate property information, including information about comparable properties, to correct errors in the valuation.

Use of third parties in the valuation review process

Using third parties does not diminish the financial institution's responsibility to comply with laws and guidance. The financial institution should:

- Operate in a safe and sound manner and in compliance with applicable laws and regulations.
- Oversee business relationships in a manner that ensures compliance with federal consumer protection laws.

both regulations and your bank's culture is essential. Build relationships and keep learning.

Q. What are you currently reading?

A. Right now, a James Patterson mystery. Reading helps me unwind, so I prefer lighter, fast-paced books.

Q. How does your bank use training for succession planning?

A. Ongoing training is key. We assess roles and staff regularly to ensure backups are ready and skill gaps are addressed. It's about having the right people in the right seats.

Q. What is your favorite thing about ICBA conferences?

A. They're tailored to smaller banks, making the content relevant and easy to apply to my daily work in a community bank.

Q. How has your designation impacted your career?

A. It boosted my confidence and credibility, deepened my knowledge, and helped me take on complex audits. It also positioned me as a key liaison between departments and external auditors, increasing the value I bring.

[Continued on page 4](#)

- Make certain that risk management practices include managing risks arising from third-party valuations and valuation review functions.

ROV basics

Is a financial institution permitted to implement an ROV process?

Yes, the regulatory framework permits financial institutions to implement ROV policies, procedures and control systems that allow consumers to provide and the financial institution to review relevant information that may not have been considered during the appraisal or evaluation process.

Is an ROV request made by the financial institution to the appraiser or other preparer of the valuation report?

Yes, the assigned staff member at the financial institution would request the appraiser or valuation preparer to reassess the report based on deficiencies or information that may affect the value conclusion. ROVs can resolve deficiencies, including those related to potential discrimination.

Could a complaint prompt the ROV process?

Yes, the financial institution may initiate an ROV request following a consumer complaint regarding valuation review activities. Lenders, including any lending staff member or other employee, may receive a consumer complaint.

What can consumers provide to the financial institution to help support an ROV?

Consumers may provide specific and verifiable information that may not have been available or considered when the initial valuation and review were performed.

What could an ROV request include?

ROV requests may include consideration of comparable properties not previously identified, property characteristics, or other information about the property that may have been incorrectly reported or not previously considered, which may affect the value conclusion. This list is not all-inclusive.

The value of the complaint resolution process

Appraisal and other valuation-based complaints and inquiries can be important indicators of potential risks and risk management weaknesses, especially when considering their nature and volume. Complaints should capture consumer feedback regarding potential valuation deficiencies through existing complaint resolution processes.

Complaints and inquiries should encompass the following:

- All products and services offered across all lines of business, including those offered by third parties

Continued on page 5



Save the Date!

2025 ICBA Annual Current Issues Certification Conference

Join us in Bloomington, MN
September 22–25, 2025

Unable to join us in person?

Attend the livestreamed
conference,
October 20–23, 2025.

For more information,
visit icba.org/seminars or email
julie.woida@icba.org.



ICBA
Education

- Various channels (including letters, phone calls, in-person meetings, email and social media, as well as transmittals from regulators and third-party valuation service providers).

Policies, procedures, and control systems considerations

When implementing processes, consider the following:

- Does the complaint resolution process include ROVs as a potential means to respond to allegations of discrimination?
- Does the ROV process create unreasonable barriers or discourage consumers from requesting the institution initiate an ROV?
- Does the ROV process provide for the identification, management, analysis, escalation and resolution of valuation-related complaints or inquiries across all relevant lines of business from various channels and sources (such as letters, phone calls, in-person, regulators, third-party service providers, email and social media)?
- Does the process include informing consumers how to raise concerns about the valuation early enough in the underwriting process for any errors or issues to be resolved before a final credit decision is made?
 - For instance, this can include educating consumers on the type of information they may provide when communicating with the financial institution about potential valuation deficiencies
- Has the institution identified stakeholders and clearly outlined each business unit's roles and responsibilities for processing an ROV request (e.g., loan origination, processing, underwriting, collateral valuation, compliance, customer experience or complaints)?
- Are there risk-based ROV systems that route the request to the appropriate business unit (e.g., requests that include concerns or inquiries that allege discrimination could be routed to the appropriate compliance, legal and appraisal review staff that have the requisite skills and authority to research and resolve the request)?
- Is training provided to relevant lending and valuation-related staff, inclusive of third parties (e.g., appraisal management companies, fee-appraisers, mortgage brokers, and mortgage servicers) to identify deficiencies (including practices that may result in discrimination) through the valuation review process?



[Continued on page 6](#)

- Has a standardized process been established to help ensure consistent consideration of requests for ROVs? This may include:
 - Using clear, plain language in notices to consumers about how they may request the ROV.
 - Using clear, plain language in ROV policies that provide a consistent process for the consumer, appraiser and internal stakeholders.
 - Establishing guidelines for the information the financial institution may need to initiate the ROV process.
 - Setting timelines in the complaint or ROV processes for when milestones need to be achieved.
 - Setting guidelines for when a second appraisal could be ordered and who assumes the cost.
 - Developing protocols for communicating the status of the complaint or ROV and the lender's determination to consumers.
- Is training provided to relevant lending and valuation-related staff, inclusive of third parties (e.g., appraisal management companies, fee-appraisers, mortgage brokers, and mortgage servicers) to identify deficiencies (including practices that may result in discrimination) through the valuation review process?

The importance of mitigating your risk

Development of policies and procedures for evaluating reconsideration of value requests should be risk-based and tailored to the size and complexity of your financial institution. The information provided within the guidance is a helpful tool in establishing these procedures.

In addition, the government-sponsored entities have ROV procedures, which may be useful to your organization in developing your process. Consider mitigating your fair lending risk by developing an ROV process.

How Wipfli can help

Wipfli specialists can assist with consulting, training, monitoring or audits that include reconsideration of value and appraisal bias. Contact Wipfli at wipfli.com/contact to learn more about how we can help you with fair lending concerns, including ROV. Our compliance consultants can provide the support you need for your organization.



Tracy Bush, CRCM, Senior Manager, Wipfli



Certification Calendar

Stay current, earn CPE to maintain your certification, or earn a new certification!

Certification Institutes			ICBA Member	Non-Member	Non-Banker
Audit Institute	Sept. 9–11 and 16–18*	Livestream	\$3,299	\$4,199	\$4,799
BSA/AML Institute	Nov. 4–6	Livestream	\$1,699	\$2,199	\$2,699
Compliance Lending Institute	Sept. 14–19	Bloomington, MN	\$2,999	\$3,899	\$4,799
Enterprise Risk Management Institute	Sept. 29–Oct. 1	Bloomington, MN	\$1,699	\$2,199	NA
New! Marketing Institute	Oct. 6–9	Dallas, TX	\$1,699	\$2,199	\$2,699
IT Institute	Nov. 3–6	Atlanta, GA	\$2,699	\$3,599	\$4,499

*Indicates an Institute is split over two weeks.
If you wish to test for certification, the testing fee is \$500 in addition to the registration fee.

Newsletter sponsored by:  **ICBA**
Education 