ATLAS VALUATION & MORTGAGE SOLUTIONS • TECHNICAL PLAYBOOK

HECM & Reverse Mortgage Appraisal Protocol: Navigating HUD Guidelines and Collateral Assessments

An operational blueprint for Reverse Mortgage Operations Managers and Credit Committees: mastering HUD Handbook 4000.1 Minimum Property Requirements, FHA second-appraisal triggers, Quantum LOS automation, and senior-first borrower preparation.

TARGET DECISION-MAKERS

Reverse Mortgage Operations Managers • Credit Committee Chairs • HECM Underwriters

EDITORIAL & TECHNICAL LEAD

Joseph Pravettone (Chief Appraiser, Fmr. AAG) & Sean Marsh (President)

HUD 4000.1
HECM COMPLIANCE PRECISION
Multi-stage review separating true safety/soundness MPR items from cosmetic wear

Quantum LOS
DIRECT REVERSE INTEGRATION
Seamless bidirectional HECM & proprietary order management inside AIM-Port

100% Vetted
REVERSE-CERTIFIED PANEL
Led by former AAG Chief Appraiser Joe Pravettone & Reverse pioneers Erik Morin & Sean Marsh

EXECUTIVE SUMMARY & CORE TAKEAWAYS

- In Home Equity Conversion Mortgage (HECM) and proprietary reverse lending, the appraisal directly governs the borrower's Maximum Claim Amount (MCA) and Principal Limit Factor (PLF) proceeds—meaning a single preventable repair condition or comp error can derail a senior borrower's payoff of an existing forward lien.
- Generalist FHA appraisers routinely conflate cosmetic wear with HUD Handbook 4000.1 Minimum Property Requirements (MPR), triggering unnecessary repair set-asides and costly Form 1004D re-inspections.
- Atlas VMS's "We Value Reverse" protocol eliminates preventable return trips through proactive Senior Borrower Preparation outreach, mandatory reverse-experience appraiser certification, and specialized review led by Chief Appraiser Joe Pravettone (former Chief Appraiser at American Advisors Group / AAG).
- Through native AIM-Port integration with the Quantum Reverse LOS and preferred-AMC approval across all major proprietary reverse investors, Atlas VMS automates order routing, FHA Collateral Risk Assessment (second appraisal) workflows, and HUD-compliant quality assurance.

1 Why HECM & Proprietary Reverse Valuations Require a Specialized AMC Desk

Because reverse mortgage proceeds are governed by age- and rate-dependent Principal Limit Factors (PLFs) applied against the Maximum Claim Amount (MCA), older homeowners often operate on tight net principal limits to pay off an existing forward mortgage.

Led by Chief Appraiser Joe Pravettone (former Chief Appraiser at AAG from 2017–2022), President Sean Marsh (Founder of One Reverse Mortgage), and CEO Erik Morin, Atlas VMS built its "We Value Reverse" desk to eliminate generalist appraiser errors, preventable return trips, and proprietary investor rejections.

2 HUD Handbook 4000.1: Minimum Property Requirements (MPR) vs. Cosmetic Wear

Under HUD Handbook 4000.1, FHA Roster Appraisers evaluate Safety, Security, and Soundness. Generalist appraisers frequently over-condition cosmetic wear (worn carpet, minor wall blemishes, post-1978 surface paint) as mandatory "Subject To" repairs.

Atlas VMS audits every HECM report to ensure only true HUD MPR hazards (pre-1978 peeling lead-based paint, active roof leaks, missing handrails, inoperable utilities) are conditioned—and mandates itemized cost-to-cure schedules so DE underwriters can seamlessly establish Repair Set-Asides.

COMPARISON MATRIX: GENERALIST FORWARD AMC DESK VS. ATLAS VMS "WE VALUE REVERSE" PROTOCOL

OPERATIONAL DIMENSION	GENERALIST FORWARD AMC DESK	ATLAS VMS "WE VALUE REVERSE" PROTOCOL
Borrower Preparation	Automated text/email links that confuse senior homeowners	White-glove phone outreach educating borrowers on what to expect before the visit
Appraiser Panel Vetting	Any active FHA Roster license in the county rotation	Verified reverse track record + approved status across all proprietary reverse investors
HUD 4000.1 & Repair Scrub	Automated XML check only; frequent cosmetic over-conditioning	Manual FHA/HECM review + itemized cost-to-cure verification for Repair Set-Asides
Reverse LOS Connectivity	Manual portal uploads and status copy-pasting	Direct native integration with Quantum Reverse LOS + Encompass & Byte

3 FHA Collateral Risk Assessment (Second Appraisals) & Proprietary Overlays

When FHA Connection's automated Collateral Risk Assessment flags a HECM for a second appraisal—or when a proprietary jumbo reverse exceeds the investor's dual-appraisal threshold—AIM-Port immediately routes the second assignment to an independent reverse-certified appraiser with strict AIR firewall separation.

Atlas VMS is an approved, preferred AMC across all major proprietary reverse mortgage investors.

4 The "We Value Reverse" Standard + Native Quantum LOS Automation

Before the inspection, our reverse concierge team contacts the senior borrower to explain the visit and verify utility and access readiness—preventing unnecessary Form 1004D return trips. Combined with native Quantum Reverse LOS integration in AIM-Port and $0-deductible Atlas LoanShield™ warranty protection, lenders close faster with complete compliance confidence.

5-POINT HECM & REVERSE MORTGAGE PRE-DELIVERY AUDIT CHECKLIST

- ✓ Complete pre-inspection Senior Borrower Preparation call confirming utility activation, attic/crawlspace access, and basic safety readiness.
- ✓ Verify FHA Case Number assignment, exact borrower/estate vesting, and PUD/Condo FHA Single-Unit Approval (SUA) or project status.
- ✓ Audit all "Subject To" repair conditions to confirm true HUD 4000.1 MPR necessity and include itemized cost-to-cure figures for Repair Set-Asides.
- ✓ Verify remaining economic life commentary and confirm zero unaddressed external obsolescence or commercial-use violations.
- ✓ Deliver XML, SSR, and PDF packages directly into Quantum Reverse LOS via AIM-Port with Atlas LoanShield™ warranty protection.

NEXT STEP • INSTITUTIONAL CONSULTATION

Request a Demo of AIM-Port & Learn How LoanShield™ Protects Your Reverse Pipeline

atlasvms.com/specialized-lending • hello@atlasvms.com • (833) 502-8527 • Online Guide: https://atlasvms.com/resources/hecm-reverse-mortgage-appraisal-protocol

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