

## **FannieMae COVID-19 Frequently Asked Questions - Selling Updated: Apr. 08, 2020**

In response to the COVID-19 national emergency, Fannie Mae and Freddie Mac have provided temporary guidance to lenders on several policy areas to support mortgage originations, appraisals, and quality control (QC). These FAQs provide additional information on the temporary policies. We will be adding more FAQs, therefore we encourage you to check in frequently for updates – refer to the “NEW” or “UPDATED” notations after the question. (*FAQ’s below relate to Appraisers/Appraisals*)

### **Appraisals**

**Q31.** May a desktop or exterior only inspection appraisal report completed using the appraisal flexibilities offered by Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals include photos or other information provided by the borrower/owner? Yes. Consistent with USPAP, appraisers are permitted to consider and develop any information deemed credible. It is important to note, certification #10 has been removed in recognition that the appraiser may have relied on information from an interested party to the transaction (borrower, realtor, property contact, etc.) and additional verification may not have been possible.

**Q32.** How will the appraiser be able to obtain subject photos for a desktop appraisal report? Photos can be obtained from sources such as third-party websites, owners, or listing services, etc. NOTE: Any use restrictions on photos must be honored.

**Q33.** What if adequate information is not available for the appraisal? Appraisers may use information in MLS, reach out to the broker, homeowner, public records, and/or other online tools such as satellite imagery and street views to obtain the necessary property information. A good faith effort should be used to provide information that the appraiser believes is reasonable. If adequate information about the subject property is not available, the mortgage will not be eligible for sale to us until the appraiser has sufficient information to complete the desktop appraisal or an appraisal with an exterior-only inspection.

**Q34.** Why does Fannie Mae allow the desktop appraisal for purchase but not refinances? Homes available for purchase are the most likely to have current photos and data concerning the subject property. Refinances may have very dated information in the MLS, if any at all. Having the appraiser complete an exterior inspection provides current information about the home’s condition that might not be available otherwise. Reminder, for refinances of non-Fannie Mae owned loans and all cash-out refinances, we continue to require a traditional appraisal.

**Q35.** What form should be used for a desktop appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals? As noted in Lender Letter LL-2020-04, the following forms can be used to complete a desktop appraisal: ♣ Uniform Residential Appraisal Report (Form 1004) ♣ Individual Condominium Unit Appraisal Report (Form 1073) ♣ Individual Cooperative Interest Appraisal Report (Form 2090) ♣ Small Residential Income Property Appraisal Report (Form 1025) ♣ Manufactured Home Appraisal Report (Form 1004C) Other desktop appraisal forms are not allowed for a Fannie Mae-eligible loan.

**Q36.** What form should be used for an exterior-only inspection appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals? As noted in Lender Letter LL-2020-04, the following forms can be used to complete an exterior-only appraisal: • Exterior-Only Inspection Residential Appraisal Report (Form 2055) • Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075) • Exterior Only Individual Cooperative Interest Appraisal Report (Form 2095) • Small Residential Income Property Appraisal Report (Form 1025) • Manufactured Home Appraisal Report (Form 1004C) Other exterior-only or drive-by appraisal forms are not allowed for a Fannie Mae-eligible mortgage.

**Q37.** Why is Fannie Mae requiring the appraisal include the entry “desktop” in the Map Reference # field of the appraisal report? This helps identify the scope of work completed. Because we are permitting desktop appraisals to be completed on forms that are typically used for interior and exterior inspection appraisals, we will be relying on the text in the Map Reference # field to identify the type of appraisal (desktop) completed. It is critical that the Map Reference # field show “desktop” when applicable. © 2020 Fannie Mae 4.08.2020 Page 9 of 14

**Q38.** Why is Fannie Mae requiring the appraisal include the entry “exterior” in the Map Reference # field of the appraisal report? This helps identify the scope of work completed. Because we are permitting exterior-only appraisals to be completed on forms that are typically used for interior and exterior inspection appraisals, we will be relying on the text in the Map Reference # field to identify the type of appraisal (exterior-only) completed. It is critical that the Map Reference # field show “exterior” when applicable.

**Q39.** Will desktop appraisals still be scored by Collateral Underwriter® the same way? Yes, desktop appraisals completed on Forms 1004 and 1073 will be scored by Collateral Underwriter just as traditional appraisals are scored when these forms are used.

**Q40.** Will mortgages with desktop appraisals be eligible for representation and warranty relief for value? Yes. When a desktop appraisal is obtained using Uniform Residential Appraisal Report (Form 1004) , or Individual Condominium Unit Appraisal Report (Form 1073) , and submitted to Uniform Collateral Data Portal® (UCDP®), the appraisal will be assessed for valuation representation and warranty relief in Collateral Underwriter. All appraisals with a risk score of 2.5 or less that meet the requirements of the Selling Guide will receive valuation representation and warranty relief.

**Q41.** How should an appraiser include the revised scope of work, statements of assumptions and limiting conditions, and appraiser’s certifications in the appraisal report? The modified scope of work, statements of assumptions and limiting conditions, and appraiser’s certifications addressed in the Lender Letter must be copied and pasted, in its entirety, into a text addendum, with no edits or alterations. This may be done on a separate text addendum form, or as part of a general text addendum.

**Q42.** Must a desktop appraisal or exterior-only inspection appraisal report be submitted “subject to” an extraordinary assumption? The revised scope of work and certification removes the requirement for the appraisal to be submitted “subject to” an extraordinary assumption. If adequate information about the subject property is not available from a credible source, then the desktop or exterior-only inspection

appraisal is not acceptable. Appraisers must have data sources they consider reliable. The assumption that data sources are correct is not considered an extraordinary assumption.

**Q43.** Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals says that reports for desktop appraisals must include subject photos. What photos are required? At a minimum, there must be a front photo of the subject property. Additionally, in order to pass through automated review systems used by many lenders and AMCs, it may be necessary for the report to include all photos required for an appraisal based on an interior and exterior inspection. In such cases, an appraiser should include all photos that are available. Except for the required front photo, for photos that are not available, an appraiser may include a photo of a statement saying that the photo was not available.

**Q44.** Does an appraisal report have to include subject property and comparable sales photos when the report is an exterior-only appraisal assignment? © 2020 Fannie Mae 4.08.2020 Page 10 of 14 An exterior only appraisal must include a front photograph of the subject on a subject photo page. The appraiser may use photos obtained from credible and reliable sources to represent the subject and comparables used on the appraisal. Although not required the presence of a comparable photos page, with images, may be necessary to allow the appraisal report to pass automated review systems.

**Q45.** Are manufactured homes and two- to four-unit properties covered even though there is no exterior-only appraisal form to support them? We will allow lenders to use Interior/Exterior forms for two- to four-unit and manufactured homes with the appropriate scope of work, statements of assumptions and limiting conditions, and appraiser's certifications provided with Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals.

**Q46.** Manufactured home appraisals require specific, and detailed information from the HUD Certification Label. How will the appraiser obtain this information for desktop appraisals and exterior-only inspection appraisals? For exterior-only inspection appraisals, the appraiser may obtain a photo of the HUD Certification Label, provided they are given permission by the property owner to access the site. For a desktop appraisal, the appraiser may request the owner or an individual that has access to the property to provide a photo of the HUD Certification Label and deliver it via email or other means to the appraiser. With both the desktop and drive-by appraisal, the appraiser may request the borrower, owner, or an individual that has access to the property interior to provide a photo of the HUD Data Plate. The appraiser will need to communicate with the lender or AMC to ensure there is sufficient information available to complete the assignment type ordered.

**Q47.** When obtaining a desktop or exterior only appraisal, does the lender need to document that they attempted to obtain a traditional appraisal and were not successful due to COVID-19? No. Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals, lists the appraisal types that are suitable for each transaction type while maintaining prudent and responsible lending practices. Lenders delivering mortgages with one of the permitted flexibilities are not required to provide documentation showing that they could not obtain a traditional appraisal due to COVID-19. Lenders are empowered to exercise the flexibilities as described in the lender letter.

**Q48.** How should a lender address markets with “shelter in place” mandates where appraisers are not deemed an essential workforce? Lenders may use flexibilities described in our lender letter. Travel restrictions will likely vary from location to location, and lenders and appraisers should comply with all applicable requirements in their jurisdiction. There may be instances where an appraisal simply cannot be obtained until circumstances change.

**Q49.** Does an appraisal that includes the revised scope of work, statements of assumptions and limiting conditions, and appraiser’s certifications provided in Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals also need an extraordinary assumption to address when information was provided by a party that may have a financial interest in the transaction? No. As stated in Lender Letter LL-2020-04, the appraiser’s certification #10 was removed recognizing that the appraiser may have to rely on information from an interested party to the transaction (borrower, real estate agent, property contact, etc.) and additional verification may not be possible. The removal of this certification acknowledges this could affect the assignment’s results. If adequate information is not available to complete the appraisal, the appraisal cannot be completed. © 2020 Fannie Mae 4.08.2020 Page 11 of 14

**Q50.** For purchase transactions, Fannie Mae’s temporary requirements are dependent on mortgage LTV ratios which may be difficult for lenders to operationalize. Does Fannie Mae have any suggestions on how to manage this operational challenge? Each lender will need to operationalize as they deem appropriate. In cases where the lender is reasonably certain they will not be able to obtain an interior and exterior inspection appraisal, some lenders use the sales contract price in order to estimate the LTV ratio prior to ordering the appraisal.

**Q51.** What guidance can lenders provide to appraisers who claim it is a violation of USPAP to complete a desktop appraisal using forms designed for traditional appraisals, like the Form 1004/70? The Appraisal Standards Board has issued guidance specific to this topic. They indicate that, with proper disclosure, the modified appraisal report form does not result in a misleading appraisal report or a violation of USPAP. The published Q&A can be found on The Appraisal Foundation website.

**Q52.** If a desktop appraisal is ordered and accepted by the appraiser, may the appraiser expand the scope of work to include an exterior inspection of the subject property or comparable sales? In this situation, what identifier would the appraisal include in the Map Reference # field? Yes. The appraiser is responsible for determining what is an adequate scope of work for any assignment and may choose to expand the scope beyond the minimum requirements. In this instance, the appraiser would enter “desktop” as this reflects the appraisal type agreed to with the acceptance of the assignment and the minimum scope of work required for the assignment.

**Q53.** Are lenders permitted to submit an appraisal with an exterior-only inspection on forms 1004, 1073, or 2090? No, the exterior-only inspection appraisals permitted in accordance with the temporary flexibilities announced in Fannie Mae Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals must be completed on the following appraisal forms: ♣ Exterior-Only Inspection Residential Appraisal Report (Form 2055) ♣ Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075) ♣

Exterior Only Individual Cooperative Interest Appraisal Report (Form 2095) ♦ Small Residential Income Property Appraisal Report (Form 1025) ♦ Manufactured Home Appraisal Report (Form 1004C)

**Q54.** Given the appraisal flexibilities provided in Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals, how will Fannie Mae perform post-purchase quality control reviews on the exterior-only inspection appraisal report and desktop appraisal reports? NEW When Fannie Mae performs quality control reviews on these appraisal reports, they will be based on the modified scopes of work for the exterior-only inspection appraisal reports and desktop appraisal reports, respectively. The appraiser's description of the subject property must be complete, and the opinion of the market value of the subject property must be adequately supported. The review will include an assessment of whether there are property deficiencies, including those impacting safety, soundness, or structural integrity, that were discoverable.

**Q55.** For new construction appraisals completed using the flexibilities in Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals, does a builder have to provide bedroom photographs for dwellings that are complete to at least the drywall stage? NEW © 2020 Fannie Mae 4.08.2020 Page 12 of 14 Yes. In addition to the plans, specification and other photograph exhibits, a builder must provide photos of the bedrooms to the appraiser.

**Q56.** In Lender Letter LL-2020-04, Impact of COVID-19 on Appraisals, Fannie Mae provided appraisal flexibility for new construction purchase transactions by allowing for completion of "desktop" appraisals. Is this flexibility available for all new construction purchase transactions, including second homes? NEW No. New construction purchase transactions are subject to the requirements provided in LL-2020-04, including all requirements in the permissible appraisal requirements chart. Therefore, second homes with an LTV greater than 85% require a traditional appraisal report.

**Q57.** For mortgages that require interior and exterior inspection appraisals, would the use of technology like Skype, FaceTime, etc. be sufficient to meet the requirement for an appraiser's physical inspection? NEW No. The Uniform Residential Appraisal Report (Form 1004) (along with the 1073, 1004c, 1025, and 2090) require the appraiser to certify "I performed a complete visual inspection of the interior and exterior areas of the subject property." Virtual inspections are insufficient to comply with our Form 1004 and other interior/exterior appraisal form requirements. Appraisers are free to voluntarily deploy this technology as a means of augmenting the exterior-only (in combination with a drive by inspection from the street) and/or desktop appraisal flexibilities we announced for COVID-19. Appraisers must describe these as either "desktop" or "exterior", as the case may be.

**Q58.** Using the COVID-19 appraisal flexibilities for a desktop appraisal report, what information must the appraiser include in the Map Reference # field? NEW For a desktop appraisal report, the Map Reference # field must ONLY contain "desktop." No other entries may be included in this field. It is the lender's responsibility to ensure the appraisal is accurately reported.

**Q59.** Using the COVID-19 appraisal flexibilities for a exterior-only appraisal report, what information must the appraiser include in the Map Reference # field? NEW For an exterior-only appraisal report, the Map Reference # field must ONLY contain “exterior.” No other entries may be included in this field. It is the lender’s responsibility to ensure the appraisal is accurately reported.

**Q60.** Can “virtual” inspections provided by a vendor or homeowner be used to complete the Completion Report (1004D) required to remove recourse on Homestyle® Renovation loans? NEW No. We require an independent on-site inspection by the appraiser for a Homestyle Renovation loan to qualify for recourse removal.