



# Lender Letter (LL-2020-04)

Mar. 23, 2020

## To: All Fannie Mae Single-Family Sellers Impact of COVID-19 on Appraisals

During this COVID-19 national emergency, in many cases lenders are unable to obtain an appraisal based on a full interior and exterior inspection of the subject property. In response, we are allowing temporary flexibilities to our appraisal requirements. We are working closely with Freddie Mac under the guidance of FHFA to offer these temporary measures.

**We are releasing information to our customers as quickly as possible and will update and republish this Lender Letter as new guidance becomes available. We have also published [LL-2020-02, Impact of COVID-19 on Servicing](#), and [LL-2020-03, Impact of COVID-19 on Originations](#).**

This Lender Letter provides information about the following:

- [Temporary appraisal requirement flexibilities](#): allowing exterior-only inspection appraisals or desktop appraisals
- [Desktop appraisals](#): allowing for purchase transactions when an interior and exterior appraisal is not available
- [Exterior-only inspection appraisals](#): allowing for purchase and refinances of Fannie Mae-owned loans
- [Revisions to the scope of work, statements of assumptions and limited conditions, and appraiser's certifications](#): requiring modified language to be used with exterior-only and desktop appraisals
- [Additional form instructions for appraisals](#): requiring identification of “exterior” or “desktop” on the interior and exterior reports
- [Identification of a Fannie Mae loan](#): reminding lenders about our Loan Lookup tool to identify Fannie Mae-owned loans
- [Appraisal waivers](#): encouraging lenders to accept waiver offers when eligible
- [Delivery requirements](#): changes are not required at this time in Loan Delivery
- [Completion reports \(Form 1004D\)](#): allowing alternatives when a Form 1004D cannot be obtained
- [HomeStyle® Renovation and HomeStyle Energy requirements](#): requiring traditional appraisals for these transactions

**Effective:** These temporary flexibilities are effective immediately for all loans in process and remain in place for loans with application dates on or before May 17, 2020.

## Temporary appraisal requirement flexibilities

Effective immediately, we are allowing temporary flexibilities to our appraisal inspection and reporting requirements. As described below, we will accept an alternative to the traditional appraisal required under *Selling Guide* Chapter B4-1, Appraisal Requirements, when an interior inspection is not feasible because of COVID-19 concerns. We will allow either a desktop appraisal or an exterior-only inspection appraisal in lieu of the interior and exterior inspection appraisal (i.e., traditional appraisal).

If a traditional appraisal is not obtained and there is insufficient information about the property for an appraiser to be able to complete an appraisal assignment with a desktop or exterior-only inspection appraisal, the loan will not be eligible for delivery to us.



Loan purpose	LTV ratio	Occupancy	Ownership of loan being refinanced	Permissible appraisals (in order of preference)
Purchase*	Per <i>Eligibility Matrix</i>	Principal residence	N/A	Traditional appraisal Desktop appraisal Exterior-only appraisal
	≤ 85%	Second home Investment		Traditional appraisal Desktop appraisal Exterior-only appraisal
	> 85%	Second home		Traditional appraisal
Limited cash-out refinance	Per <i>Eligibility Matrix</i>	All	Fannie Mae-owned	Traditional appraisal Exterior-only appraisal
Cash-out refinance			Not Fannie Mae-owned	Traditional appraisal
			Fannie Mae or not Fannie Mae-owned	Traditional appraisal

\*Excludes new construction and construction-to-permanent loans.

**NOTE:** For all loans with LTV ratios greater than 80%, we require mortgage insurance in accordance with our standard Selling Guide policy. Lenders must consult with their mortgage insurance companies to confirm coverage for mortgages using one of the temporary appraisal flexibilities.

## Desktop appraisals

For purchase money transactions when an interior and exterior appraisal is not available, lenders are encouraged to obtain a desktop appraisal rather than an exterior-only appraisal.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information, and other third-party data sources to identify the property characteristics.

When a desktop appraisal is performed, reported on Form 1004 or Form 1073, and submitted to us through the Uniform Collateral Data Portal® (UCDP®), the appraisal will be scored by Collateral Underwriter® (CU®). All loans with a CU risk score of 2.5 or less will receive value representation and warranty relief under Day 1 Certainty. With desktop appraisals, lenders will have the added risk management and efficiency benefit of being able to use CU to aid in the appraisal review process.

The table below provides the appraisal report form that must be used to complete the desktop appraisal for each property type.

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Uniform Residential Appraisal Report</i> (Form 1004)
Condominium unit	<i>Individual Condominium Unit Appraisal Report</i> (Form 1073)
Cooperative Unit	<i>Individual Cooperative Interest Appraisal Report</i> (Fannie Mae Form 2090)
2-4 Unit Property	<i>Small Residential Income Property Appraisal Report</i> (Form 1025)
Manufactured Home	<i>Manufactured Home Appraisal Report</i> (Form 1004C)



As described [below](#), Freddie Mac and Fannie Mae have worked together to develop documents that include modified appraisal report language for the scope of work, statement of assumptions and limiting conditions, and certifications that must be used with these appraisal forms.

## Exhibits for desktop appraisals

Each desktop appraisal report must include the following exhibits:

- a location map indicating the location of the subject and comparables, and
- photographs of the subject property. We recognize that it may be challenging in some instances to obtain photographs; however, it is expected that the appraiser utilize available means to obtain relevant pictures of the subject property.

## Exterior-only inspection appraisals

An exterior-only inspection appraisal may be obtained in lieu of an interior and exterior inspection appraisal for the following transactions:

- Purchase money loans
- Limited cash-out refinances where the loan being refinanced is owned by Fannie Mae

Lenders will not receive value representation and warranty relief under Day 1 Certainty® for loans with exterior-only appraisals.

The table below shows the appraisal report form that must be used to complete an exterior-only inspection appraisal for each property type. Because there are not appropriate exterior-only appraisal report forms available for two-four unit properties and manufactured homes, we will accept an exterior appraisal scope of work completed using the applicable forms listed below.

<b>Property Type</b>	<b>Acceptable Appraisal Form</b>
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Exterior-Only Inspection Residential Appraisal Report (Form 2055)</i>
Attached condominium unit	<i>Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075)</i>
Cooperative unit	<i>Exterior-Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)</i>
Two-four unit property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

As further described [below](#), Freddie Mac and Fannie Mae have worked together to develop documents that include modified appraisal report language for the scope of work, statement of assumptions and limiting conditions, and certifications that must be used with these appraisal forms.

## Exhibits for exterior-only inspection appraisals

Lenders are reminded that the following exhibits to the appraisal report are required for an exterior-only inspection appraisal:

- a street map that shows the location of the subject property and of all comparable sales that the appraiser used;



- clear, descriptive photographs (either in black and white or color) that show the front of the subject property, and that are appropriately identified (photographs must be originals that are produced either by photography or electronic imaging); and
- any other data—as an attachment or addendum to the appraisal report form—that are necessary to provide an adequately supported opinion of market value.

## Revisions to the scope of work, statements of assumptions and limited conditions, and appraiser’s certification

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We recognize that the existing appraisal report forms do not accommodate the revised scope of work, statement of assumptions and limiting conditions, and certifications for some of the scenarios presented. To accommodate the temporary flexibilities in this Lender Letter, Freddie Mac and Fannie Mae have jointly developed the following documents that include modified language to be used with desktop appraisal reports and exterior-only appraisal reports:

- [Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification for Desktop Appraisals](#)
- [Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification for Appraisals with Exterior-only Inspection](#)

These documents include modified language for the scope of work, statement of assumptions and limiting conditions, and certifications. It is important to note that 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 feasible. Appraisal reports submitted to us using the flexibilities provided in this Lender Letter must include these documents with the modified language for scope of work, statement of assumptions and limiting conditions, and certifications.

## Additional form instructions for appraisals

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For a desktop appraisal or an appraisal with an exterior-only inspection that is completed on a form for an interior and exterior inspection (e.g., Form 2055) as permitted above, the appraisal report must include, in the “Map Reference” field, the corresponding text identifier that reports the type of appraisal completed: “desktop” or “exterior.”

## Identification of a Fannie Mae loan

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Lenders can determine whether the existing loan is a Fannie Mae loan by referencing their own servicing records or by using the [Loan Lookup](#) tool.

## Appraisal waivers

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Lenders are encouraged to accept appraisal waiver offers when eligible and provided through DU to address concerns around contact between appraisers and homeowners. Lenders are reminded to submit the case to DU to determine whether an appraisal waiver is offered before ordering an appraisal. We remind lenders that all *Selling Guide* requirements pertaining to appraisal waivers apply (see *Selling Guide* B4-1.4-10). We are continuing to monitor the impact of COVID-19 and will evaluate additional appraisal waiver flexibilities if the situation warrants such action.



## Delivery requirements

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At this time, lenders are not required to make any changes to the data they submit to Loan Delivery in connection with the flexibilities announced in this Lender Letter. We will assess whether changes will be necessary and will notify lenders if changes are required at a future date.

## Completion reports (Form 1004D)

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We require the *Appraisal Update and/or Completion Report* (Form 1004D) to evidence completion when the appraisal report has been completed “subject to.” For all loans for which a completion certification is not available due to issues related to COVID-19, with the exception of HomeStyle® Renovation and HomeStyle Energy loans, we will permit a letter signed by the borrower confirming that the work was completed. Lenders must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the loan file.

## HomeStyle Renovation and HomeStyle Energy requirements

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The temporary appraisal flexibilities for desktop and exterior-only appraisals and completion reports may not be used with HomeStyle Renovation or HomeStyle Energy loans when the appraisal is done subject to completion. Lenders must use a traditional appraisal with an interior and exterior inspection for these transactions as well as a 1004D when one is required. If a lender is unable to obtain a traditional appraisal, the loan is not eligible for sale to us. Additional information concerning other requirements for renovation loans will be provided in a forthcoming Lender Letter.

Lenders may also contact their Fannie Mae Account Team if they have questions about this Lender Letter.

## Fannie Mae FAQ <sup>[1]</sup>

1. May a desktop or exterior only inspection appraisal report completed using the appraisal flexibilities offered by Lender Letter LL-2020-04 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.

2. 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.

3. 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.

4. 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.

5. 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?

As noted in LL-2020-04, the following forms can be used to complete a desktop appraisal:

- Uniform Residential Appraisal Report (Form 1004)

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<sup>1</sup> Fannie Mae. [COVID-19 Frequently Asked Questions](#)

- 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.

6. 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?

As noted in 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.

7. 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

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. Lender Letter LL-2020-04 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.

14. Does an appraisal report have to include subject property and comparable sales photos when the report is an exterior-only appraisal assignment?



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.

15. 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.

16. 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 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.

17. When obtaining a desktop or exterior only appraisal, does the lender need to document that 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.

18. 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.

19. Does an appraisal that includes the revised scope of work, statements of assumptions and limiting conditions, and appraiser's certifications provided in LL-2020-04 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 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.

20. 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.

21. 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.

For more information visit: <https://www.fanniemae.com/portal/covid-19.html>

# Bulletin

TO: Freddie Mac Sellers

March 23, 2020 | 2020-5

## SUBJECT: SELLING GUIDANCE RELATED TO COVID-19

The coronavirus disease (COVID-19) is a rapidly evolving situation with significant economic implications and impacts to our Sellers and their Borrowers. In response to our Sellers' questions and concerns, this Bulletin provides:

- Temporary guidance related to our [credit underwriting](#) requirements
- Temporary guidance related to our [property valuation](#) requirements
- Expansion of our [automated collateral evaluation](#) eligibility
- An extension to the deadline for certain [annual reporting](#) requirements

This Bulletin also provides reminders regarding:

- Use of [Electronic Records and Signatures](#)
- [Title insurance](#)
- [Seller/Servicer business continuity plan](#) requirements and information about [Freddie Mac's business continuity plan](#)

We have been working closely with Fannie Mae under the guidance of the FHFA to introduce these temporary measures to help provide Sellers with the clarity and flexibility to continue to lend in a prudent and responsible manner. We are actively monitoring the developments and will continue to issue additional guidance as appropriate.

## CREDIT UNDERWRITING

**These temporary flexibilities are effective immediately for all Mortgages in process and remain in place for Mortgages with Application Received Dates on or before May 17, 2020.**

### Employed income – 10-day pre-closing verification

To provide flexibility during the COVID-19 pandemic, the Seller may obtain the following documentation in lieu of obtaining one of the 10-day pre-closing verification (PCV) types permitted in Guide Section 5302.2(d):

- An e-mail directly from the employer's work e-mail address that identifies the name and title of the verifier and the Borrower's name and current employment status, or
- Year-to-date (YTD) paystub from the pay period that immediately precedes the Note Date, or
- An asset account statement evidencing the payroll deposit from the pay period that immediately precedes the Note Date

While the Guide permits obtaining the 10-day PCV after the Note Date but prior to delivery to Freddie Mac, Sellers are encouraged to confirm the Borrower's employment prior to the Note Date.

### Continuance of income

Given the current COVID-19 situation and its impact on the economy including Borrower employment and income, Freddie Mac recommends that Sellers practice additional due diligence to ensure that accurate Borrower information is obtained and that the Borrower's ability to repay the Mortgage is not negatively impacted. During these uncertain times, it is our goal to partner with our Sellers to help them ensure sustainable homeownership for the Borrower.

As an example of additional due diligence for a self-employed Borrower, Sellers are encouraged to attempt to verify that the Borrower's business is operational closer to the Note Date than permitted under the current Guide requirements (e.g., within 15 days instead of 120 days).

## PROPERTY VALUATIONS – APPRAISAL FLEXIBILITIES

**These temporary flexibilities are effective immediately for all Mortgages in process and remain in place for Mortgages with Application Received Dates on or before May 17, 2020.**

We understand that due to the COVID-19 pandemic there may be instances where a Seller is unable to obtain an interior inspection of the subject property. As a result, we are allowing temporary exceptions to our property eligibility and appraisal requirements.

Freddie Mac is revising its appraisal inspection and reporting requirements. As described in detail below, for certain Mortgages, when a Seller cannot obtain an appraisal with an interior inspection as a result of the COVID-19 pandemic, Freddie Mac will accept either an appraisal with an exterior-only inspection or a desktop appraisal (as described below) in lieu of the interior and exterior inspection appraisal required under Section 5601.5(a).

There may be instances where there is insufficient information about the property for an appraiser to complete an appraisal assignment with a desktop appraisal or an appraisal with an exterior-only inspection. In these instances, the Mortgage will not be eligible for sale to Freddie Mac until the appraiser has sufficient information to complete the desktop appraisal or an appraisal with an exterior-only inspection, or an appraisal with an interior and exterior inspection is obtained.

The following table provides appraisal requirements based on Mortgage purpose, loan-to-value (LTV) ratio, occupancy type and Mortgage ownership.

Permissible appraisal requirements				
Mortgage purpose	LTV ratio	Occupancy type	Ownership of Mortgage being refinanced	Permissible appraisals
Purchase transaction*	Up to 97%	Primary Residence	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	≤85%	Second homes and Investment Properties	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	>85%	Second homes	N/A	Interior and exterior inspection appraisal
No cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned by Freddie Mac	Interior and exterior inspection appraisal or exterior-only inspection
			Mortgage being refinanced not owned by Freddie Mac	Interior and exterior inspection appraisal
Cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned or not owned by Freddie Mac	Interior and exterior inspection appraisal

\*These flexibilities are not permitted for Construction Conversion, Renovation or new construction properties.

Note: For all Mortgages with LTV ratios greater than 80%, we require mortgage insurance in accordance with Guide requirements. Sellers must consult with their mortgage insurance companies to confirm coverage for Mortgages using one of the temporary appraisal flexibilities.

To accommodate these flexibilities using existing appraisal forms, Freddie Mac and Fannie Mae have worked together to develop Scope of Work documents, which are provided as Attachment A to this Bulletin for desktop appraisals and Attachment B to this Bulletin for appraisals with an exterior-only inspection. Each Scope of Work

document includes modified language for scope of work, statement of assumptions and limiting conditions, and certifications to ensure the language in these sections supports the temporary exceptions.

**Appraisals with exterior-only inspections**

The table below provides the appraisal report form that must be used to complete an appraisal with an exterior-only inspection for each property type. Because there are not appropriate exterior-only appraisal report forms available for 2- to 4-unit properties and Manufactured Homes, we will accept an exterior-only appraisal scope of work completed using the applicable forms listed below.

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Guide Form 2055, <i>Exterior-Only Inspection Residential Appraisal Report</i>
Attached Condominium Unit	Form 466, <i>Exterior-Only Inspection Individual Condominium Unit Appraisal Report</i>
Cooperative Unit	Fannie Mae Form 2095, <i>Exterior Only Individual Cooperative Interest Appraisal Report</i>
2- to 4-unit property	Form 72, <i>Small Residential Income Property Appraisal Report</i>
Manufactured Home	Form 70B, <i>Manufactured Home Appraisal Report</i>

Mortgages with appraisals with exterior-only inspections will not receive the appraised value representation and warranty relief described in Section 5601.9(b).

**Exhibits for exterior-only inspection appraisals**

Sellers are reminded that the following are required in connection with an appraisal with an exterior-only inspection:

- A street map that shows the location of the subject property and of all comparables that the appraiser used
- Clear, descriptive photographs (either in black and white or color) that show the front of the subject property, and that are appropriately identified. (Photographs must be originals that are produced either by photography or electronic imaging); and
- Any other data (as an attachment or addendum to the appraisal report form) that are necessary to provide an adequately supported opinion of market value

**Desktop appraisals**

For purchase transaction Mortgages, Sellers are encouraged to obtain a desktop appraisal in lieu of an appraisal with an exterior-only inspection when an interior and exterior inspection is not available.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information or other third party data sources to identify the property characteristics.

When a desktop appraisal is obtained using Form 70, *Uniform Residential Appraisal Report*, or Form 465, *Individual Condominium Unit Appraisal Report*, and submitted to the Uniform Collateral Data Portal® (UCDP®), the appraisal will be assessed for valuation representation and warranty relief in Loan Collateral Advisor®. All appraisals with a risk score of 2.5 or less that meet the requirements in Section 5601.9(b) will receive valuation representation and warranty relief and Sellers will have the added risk management and efficiency benefit of being able to use Loan Collateral Advisor to aid in the appraisal review process.

The table below provides the appraisal report form that must be used to complete the desktop appraisal for each property type.

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Form 70, <i>Uniform Residential Appraisal Report</i>
Condominium Unit	Form 465, <i>Individual Condominium Unit Appraisal Report</i>
Cooperative Unit	Fannie Mae Form 2090, <i>Individual Cooperative Interest Appraisal Report</i>
2- to 4-unit property	Form 72, <i>Small Residential Income Property Appraisal Report</i>
Manufactured Home	Form 70B, <i>Manufactured Home Appraisal Report</i>

### ***Exhibits for desktop appraisals***

Each desktop appraisal must include the following exhibits:

- Photographs of the subject property. Freddie Mac recognizes it may be challenging in some instances to obtain photographs; however, it is expected that the appraiser utilize available means to obtain relevant pictures of the subject property.
- A location map indicating the location of the subject and comparables

### ***Revisions to the scope of work, statements of assumptions and limiting conditions, and appraiser's certifications***

Freddie Mac recognizes that the existing appraisal report forms do not accommodate the revised scope of work, statement of assumptions and limiting conditions, and certifications for some of the scenarios presented. To accommodate the flexibilities announced in this Bulletin, Freddie Mac and Fannie Mae have jointly developed Scope of Work documents that include modified language to be used with desktop appraisals (see Attachment A) and exterior-only appraisal reports (see Attachment B). The Scope of Work documents include modified language for the scope of work, statement of assumptions and limiting conditions, and certifications. 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. Desktop appraisal and appraisal with an exterior-only inspection reports submitted in accordance with the flexibilities announced in this Bulletin must include the applicable Scope of Work documents.

### ***Additional form instructions for appraisals***

For an appraisal with an exterior-only inspection or a desktop appraisal that is completed on a form for an interior and exterior inspection (e.g., Form 70), as permitted above, the appraisal report must include, in the "Map Reference" field, the corresponding text identifier that verifies the type of appraisal completed; specifically, "exterior" or "desktop".

The following example shows the appropriate text in the Map Reference field for a desktop appraisal:

# Uniform Residential Appraisal Report

File #

This summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the property.

City		State
Owner of Public Record		County
Parcel #	Tax Year	R.E. Taxes \$
Name	Map Reference desktop	Census Tract
Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$	<input type="checkbox"/> PUD HOA \$ <input type="checkbox"/> p
Unimproved <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)		

## Identifying a Freddie Mac-owned Mortgage

Sellers can determine whether the existing Mortgage is owned by Freddie Mac by referencing their own Servicing records or by accessing the Freddie Mac [Loan Look-Up Tool](#), provided the Borrower has authorized the Seller to obtain this information on its behalf.

## Delivery requirements

At this time, Sellers are not required to make any changes to the data they submit to Loan Selling Advisor® in connection with the flexibilities announced in this Bulletin. Freddie Mac will assess whether changes will be necessary and will notify Sellers if changes are required at a future date.

## Completion reports

Freddie Mac requires Form 442, *Appraisal Update and/or Completion Report*, to evidence completion when the appraisal report has been completed “subject to.” With the exception of CHOICERenovation<sup>SM</sup> and GreenCHOICE Mortgages<sup>SM</sup>, for Mortgages that require a completion report, but no completion report is available due to COVID-19 related issues, Freddie Mac will permit a signed letter from the Borrower confirming that the work was completed. Sellers must also provide further evidence of completion which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the Mortgage file.

## CHOICERenovation and GreenCHOICE Mortgages

The appraisal flexibilities announced in this Bulletin may not be used with CHOICERenovation Mortgages or GreenCHOICE Mortgages with appraisals subject to completion. For these Mortgages, Sellers must obtain an appraisal with an interior and exterior inspection as well as Form 442 when one is required. If a Seller is unable to obtain an appraisal with an interior and exterior inspection, then the Mortgage is not eligible for sale to Freddie Mac. Additional information concerning other requirements for CHOICERenovation Mortgages will be provided in a forthcoming Bulletin.

## AUTOMATED COLLATERAL EVALUATION

In order to reduce contact between appraisers, homeowners, and home purchasers, when eligible, Sellers are encouraged to accept appraisal waiver offers provided through Loan Product Advisor®. Sellers are encouraged to submit the Mortgage to Loan Product Advisor prior to ordering an appraisal to determine whether an appraisal waiver is available. Appraisal waivers are subject to the requirements in Section 5601.9(c).

### Effective for new submissions and resubmissions to Loan Product Advisor® on and after March 29, 2020

We are expanding eligibility for automated collateral evaluation (ACE) appraisal waivers to include certain cash-out and “no cash-out” refinances as described in the table below. The Guide will be updated at a later date to reflect this change. We are continuing to monitor the impact of COVID-19 and will evaluate continuance of appraisal waiver flexibilities if the situation warrants such action.

	Cash-out refinances	“No cash-out” refinances
Property type	Maximum total LTV (TLTV) ratio	
Primary Residence	≤ 70%	≤ 90%
Second home	≤ 60%	≤ 90%

## ANNUAL REPORTING DEADLINE EXTENSION

In light of the outbreak of COVID-19 and the challenges faced with meeting the March 31, 2020 annual reporting deadline, we are extending this deadline to **April 30, 2020** for reporting the following:

- Form 16SF, *Annual Eligibility Certification Report* (see Section 2101.10)
- Audited or reviewed financial statements, as required in Section 2101.4
- Annual Document Custodian Eligibility Certification (see Chapter 1 of the Document Custodian Procedures Handbook)

## USE OF ELECTRONIC RECORDS AND SIGNATURES

Seller/Servicers may currently take full advantage of Electronic Records and Signatures in connection with their origination processes – both with Borrowers and with related third parties, as detailed in Chapter 1401. This includes the use of Electronic real estate purchase and sale agreements, as well as Electronic initial and final disclosures often provided at closing.

Freddie Mac also permits Seller/Servicers to use Electronic Signatures and Records as part of the closing process, and, in many instances, to conduct Electronic closings in which even the Note is created and signed electronically (i.e., “eMortgage” closings), as detailed in Chapter 1402. In order for eMortgages to be eligible for sale to Freddie Mac, there is a specific approval process the Seller/Servicer must follow, but in most instances such approvals are forthcoming within a week after Seller/Servicer integration with approved systems and the MERS® eRegistry.

## TITLE INSURANCE

We understand that land record recording offices are closed in many areas due to public health directives associated with COVID-19 and that such closures present challenges for Sellers to comply with title requirements in Chapter 4702. We are working to address these challenges, but in the meantime, we want to remind Sellers that the 2006 ALTA Loan Policy or an equivalent title product, which we require to be delivered with every Mortgage, contains a “Covered Risk #14” that covers matters arising between closing and recordation of the Security Instrument. So long as there is no exception for this coverage under Schedule B of the policy, we will accept it.

## BUSINESS CONTINUITY PLANS

### Seller/Servicer business continuity plan

Freddie Mac expects Sellers and Servicers to maintain a business continuity plan in accordance with the requirements in Section 1302.3. Seller and Servicer business continuity plans must support their ongoing ability to conduct business operations in the event of a disaster or other interruption to business operations and processes. We expect Sellers and Servicers to follow their business continuity plans during the COVID-19 pandemic.

In addition, we have been in communication with the Document Custodians at Bank of New York Mellon, our Designated Document Custodian, Wells Fargo, Deutsche Bank, US Bank and Bank of America and have verified their business continuity plans are in place. Sellers using other Document Custodians should contact them to inquire about their business continuity plans.



## Freddie Mac's business continuity plan

As the situation evolves, we want to reassure Sellers that, as we undertake our own corporate precautionary measures, we are open for business and continue to fulfill our mission.

We have business continuity plans in place to make sure Seller/Service providers continue to receive the service and support needed during these extraordinary times.

## SYSTEM AND GUIDE UPDATES

We are not updating Loan Product Advisor feedback messages or the Guide at this time to reflect any of the changes noted in this Bulletin.

## ADDITIONAL RESOURCES

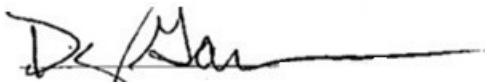
We encourage Sellers to review the following resources:

- Our web page on Freddie Mac's response to [COVID-19](#)
- Our [Selling FAQs](#) Related to COVID-19
- The Center for Disease Control's web page on [COVID-19](#)
- The Appraisal Foundation's [Appraiser Qualifications and Standards Q&As](#)
- The Appraisal Institute's [Coronavirus-related Direction for Appraisers](#)
- National Association of Realtors [Coronavirus Guide for Realtors](#)

## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,



Danny Gardner  
Senior Vice President, Client and Community Engagement

# Bulletin

## Attachment A to Bulletin 2020-5

### **Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification for Desktop Appraisals**

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#### **For a desktop appraisal:**

This Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification replaces and supersedes the corresponding sections of the appraisal report to which this language is attached as an addendum. It is authorized and used with the express permission of Fannie Mae and Freddie Mac as of March 23, 2020. Any signatures attached to the original appraisal report and certifications are incorporated and apply to these revised sections.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, or definition of market value are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Additional modifications or deletions to this revised set of certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

**SCOPE OF WORK:** The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) obtain and review adequate and reliable information for the subject property, and the subject project (where applicable) including, but not limited to, public and/or private data records, and information as described by the appraiser in the appraisal report, (2) research, verify, and analyze adequate and reliable data from public and/or private sources for the subject market area including data for each comparable property reported, and, (3) report his or her analysis, opinions, and conclusions in this appraisal report.

**INTENDED USE:** The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

**INTENDED USER:** The intended user of this appraisal report is the lender/client.

**DEFINITION OF MARKET VALUE:** The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale.

\*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing

terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS:** The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.

2. If the appraiser has included a floor plan in this appraisal report, it shows the approximate dimensions of the improvements. If included, the floor plan is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.

3. The appraiser has relied on data provided by third-parties in this appraisal report. Such data may include, but is not limited to, flood maps, multiple listing real estate services, tax assessment records, public land records, satellite imagery, virtual street views, property data services, surveys, engineering reports, and property data aggregations. After examination of the data and data sources, the appraiser has used only the data he or she considers reliable. The appraiser assumes there are no material omissions and makes no guarantees, express or implied, regarding the accuracy of this data.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.

5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.

**APPRAISER'S CERTIFICATION:** The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

2. I did not perform a personal visual inspection of the subject property as part of this appraisal assignment. I reported the condition of the improvements in factual, specific terms, relying on subject property information from third party data sources. I reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property or cooperative interest (where applicable) that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.
6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.
7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.
8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.
9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.
10. [RESERVED]
11. I have knowledge and experience in appraising this type of property in this market area.
12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.
13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.
14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, including the subject project (where applicable), subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value and have reported on the effect of the conditions on the value and marketability of the subject property.
15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.
16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.
17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).
19. I personally prepared all conclusions and opinions about the real estate or cooperative interest (where applicable) that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.

21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

**SUPERVISORY APPRAISER'S CERTIFICATION:** The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.

4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

# Bulletin

## Attachment B to Bulletin 2020-5

### **Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification for Appraisals with Exterior-only Inspections**

#### **For an appraisal with an exterior-only inspection:**

This modified set of instructions, Scope of Work, Statement of Assumptions and Limiting Conditions, and Certification replaces and supersedes the corresponding sections of the appraisal report to which this language is attached as an addendum. It is authorized and used with the express permission of Fannie Mae and Freddie Mac as of March 23, 2020. Any signatures attached to the original appraisal report and certifications are incorporated and apply to these revised sections.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, or definition of market value are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Additional modifications or deletions to this revised set of certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

**SCOPE OF WORK:** The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a visual inspection of the exterior areas of the subject property from at least the street, (2) inspect the neighborhood, including the condominium or cooperative project, if applicable (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

**INTENDED USE:** The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

**INTENDED USER:** The intended user of this appraisal report is the lender/client.

**DEFINITION OF MARKET VALUE:** The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale.

\*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any



adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS:** The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.

2. If the appraiser has included a floor plan in this appraisal report, it shows the approximate dimensions of the improvements. If included, the floor plan is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.

3. The appraiser has relied on data provided by third-parties in this appraisal report. Such data may include, but is not limited to, flood maps, multiple listing real estate services, tax assessment records, public land records, satellite imagery, virtual street views, property data services, surveys, engineering reports, and property data aggregations. After examination of the data and data sources, the appraiser has used only the data he or she considers reliable. The appraiser assumes there are no material omissions and makes no guarantees, express or implied, regarding the accuracy of this data.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.

5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.

**APPRAISER'S CERTIFICATION:** The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

2. I performed a personal visual inspection of the exterior of the subject property, from the street, as part of this appraisal assignment. I reported the condition of the improvements in factual, specific terms, relying on subject property information from third party data sources. I reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property or cooperative interest (where applicable) that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior

sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.

6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.

7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.

8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.

9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.

10. [RESERVED]

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.

13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.

14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, including the subject project (where applicable), subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.

15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.

16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.

17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).

19. I personally prepared all conclusions and opinions about the real estate or cooperative interest (where applicable) that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.



21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

**SUPERVISORY APPRAISER'S CERTIFICATION:** The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.

4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

## Freddie Mac FAQ <sup>[1]</sup>

1. May a desktop or exterior-only inspection appraisal report completed using the appraisal flexibilities offered by Bulletin 2020-5 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.

2. 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 web sites, owners, or listing services, etc. NOTE: Any use restrictions on photos must be honored.

3. What if adequate information is not available for the appraisal?

Appraisers may use information in MLS, reach out to broker, homeowner, use 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 Freddie Mac until the appraiser has sufficient information to complete the desktop appraisal or an appraisal with an exterior-only inspection.

4. What form should be used for a desktop appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in Bulletin 2020-5?

The desktop appraisals permitted in accordance with the temporary flexibilities announced in Freddie Mac Bulletin 2020-5 must be completed on one of the following forms, as applicable:

- Uniform Residential Appraisal Report (FRE 70/FNM 1004)
- Individual Condominium Unit Appraisal Report (FRE 465/FNM 1073)
- Individual Cooperative Interest Appraisal Report (FNM 2090)
- Small Residential Income Property Appraisal Report (FRE 72/FNM 1025)
- Manufactured Home Appraisal Report (FRE 70B/FNM 1004C)

The modified scope of work/limiting conditions/certifications included in Bulletin 2020-5 must be used when performing a desktop appraisal permitted in accordance with Bulletin 2020-5.

5. What form should be used for an exterior-only inspection appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in Bulletin 2020-5?

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<sup>1</sup> Freddie Mac. [COVID-19 Selling-related Frequently Asked Questions](#)

The exterior-only inspection appraisals permitted in accordance with the temporary flexibilities announced in Freddie Mac Bulletin 2020-5 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 466)
- Exterior Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)
- Small Residential Income Property Appraisal Report (Form 1025)
- Manufactured Home Appraisal Report (Form 70B)

The modified scope of work/limiting conditions/certifications included in Bulletin 2020-5 must be used when performing an exterior-only inspection appraisal.

6. Why is Freddie Mac 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 Freddie Mac is permitting desktop appraisals to be completed on forms that are typically used for interior and exterior inspection appraisals, Freddie Mac 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.

7. Why is Freddie Mac 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 Freddie Mac is permitting exterior-only appraisals to be completed on forms that are typically used for interior and exterior inspection appraisals. Freddie Mac 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.

8. Will desktop appraisals be assessed through Loan Collateral Advisor?

Yes, desktop appraisals completed on Forms 70/1004 and 465/1073 will be scored by Loan Collateral Advisor just as traditional appraisals are scored when these forms are used.

9. Will Mortgages with desktop appraisals be eligible for representation and warranty relief for value?

Yes. When a desktop appraisal is obtained using Form 70, Uniform Residential Appraisal Report, or Form 465, Individual Condominium Unit Appraisal Report, and submitted to Uniform Collateral Data Portal® (UCDP®), the appraisal will be assessed for valuation representation and warranty relief in Loan Collateral Advisor®. All appraisals with a risk score of 2.5 or less that meet the requirements in Section 5601.9(b) will receive valuation representation and warranty relief.

10. 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 provided 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.

11. 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.

12. Bulletin 2020-5 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.

13. Does an appraisal report have to include subject property and comparable sales photo when the report is an exterior-only appraisal assignment?

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.

14. Are Manufactured Homes (MH) and 2-4 Family properties covered even though there is no exterior-only appraisal form to support them?

We will allow Sellers to use Interior/Exterior forms for 2-4 and MH with the appropriate scope of work/limiting conditions/certifications narrative provided with the Bulletin 2020-5.

15. Manufactured Home appraisals require specific, and detailed information from the HUD Tag. 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 Tag, 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 Tag and deliver it via email or other means to the appraiser.

With both the desktop and exterior-only 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.

For more information visit: <http://www.freddiemac.com/about/covid-19.html>



**TO: All FHA-Approved Mortgagees;  
All FHA Roster Appraisers; and  
All Other Interested Stakeholders in FHA Transactions**

## NEWS AND UPDATES

As a result of the Presidentially-declared COVID-19 national emergency, the Federal Housing Administration (FHA) is announcing the following policy changes:

- Re-verification of Employment, and Exterior-Only and Desktop-Only Appraisal Scope of Work Options for FHA Single Family Programs Impacted By COVID-19
- Temporary Waiver Provides Mailing Alternative for Condominium Project Approval Application Packages
- Temporary Waiver of Damage Inspection Reports in Presidentially-Declared Major Disaster Areas due to COVID-19
- Updated Single Family COVID-19 Q&A

See below for details.

### Re-verification of Employment and Exterior-only and Desktop-only Appraisal Property Inspections Protocols

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2020-05](#), "*Re-verification of Employment and Exterior-Only and Desktop-Only Appraisal Scope of Work Options for FHA Single Family Programs Impacted By COVID-19.*"

This ML announced alternatives that mortgagees can use to re-verify borrower's employment for all FHA Single Family Title II forward mortgages and Home Equity Conversion Mortgages (HECMs) prior to settlement, where required, so long as certain other conditions are met.

Mortgagees can use the following alternatives to re-verify borrower's employment:

- Year-to-date paystub or direct electronic verification of income dated immediately prior to the note date; or
- Bank statement showing a direct deposit from the borrower's employer for the pay period that immediately precedes the settlement date.

For forward purchase transactions, the mortgagee must also provide documentation of a borrower's cash reserves equaling a minimum of two months of principal, interest, taxes, and insurance (PITI).

Additionally, this ML provides guidance that permits FHA roster appraisers to use exterior-only or desktop-only appraisal inspections as a substitute for interior inspections for most forward mortgage and Home Equity Conversion Mortgage (HECM) purchase transactions and exterior-only appraisal inspections for most forward refinance and HECM traditional and refinance transactions.

This amended guidance, which affects both origination and servicing, is effective until May 17, 2020, as detailed in [ML 2020-05](#).

### [Quick Links](#)

- View Mortgage Letter 2020-05 and all other archived Mortgage Letters at: [https://www.hud.gov/program\\_offices/administration/hudclips/letters/mortgagee](https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee)

## Temporary Waiver Provides Mailing Alternative for Condominium Project Approval Application Packages

Today, the Federal Housing Administration (FHA) issued a temporary [waiver](#) of its [Single Family Housing Policy Handbook 4000.1](#) policy to provide an alternative to submitting Condominium project approval application packages by mail in the event of possible HUD office closures due to COVID-19. By using this alternative method, FHA employees working remotely can still retrieve and access packages for processing. This new alternative does not affect mortgagees that currently upload their packages through FHA Connection.

Submitters should create a PDF file of the package and send it via email to the FHA Resource Center at [answers@hud.gov](mailto:answers@hud.gov). The email "Subject Line" should read "Condominium Project Approval Application Package". Upon receipt, FHA Resource Center staff will forward the package to the appropriate FHA Homeownership Center where it will be reviewed.

The email attachment should contain a single PDF file not to exceed 32 MB. Files larger than 32 MB must be emailed separately and each email should also include a brief project name and the total number of emails being submitted (e.g., "Towne Centre 1 of 3").

This process applies to the submission of Condominiums for Project Approval and does not affect the requirements for Single-Unit Approval as outlined in [ML 2019-13](#).

### [Quick Links](#)

- View the mailing alternative for condominium project approval application packages temporary waiver on the Waivers page at: [https://www.hud.gov/program\\_offices/administration/hudclips/waivers/](https://www.hud.gov/program_offices/administration/hudclips/waivers/)
- Access the *Single Family Housing Policy Handbook 4000.1* in online or portable document format from HUD's Client Information Policy Systems (HUDCLIPS) Handbooks web page at: [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/hsgk](https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgk)
- View Mortgage Letter 2019-13 and all other archived Mortgage Letters at: [https://www.hud.gov/program\\_offices/administration/hudclips/letters/mortgagee](https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee)

## Temporary Waiver of Damage Inspection Reports in Presidentially-Declared Major Disaster Areas

Today, the Federal Housing Administration (FHA) issued a [waiver](#) of its [Single Family Housing Policy Handbook 4000.1](#) (SF Handbook) policy to temporarily suspend the requirement that FHA roster appraisers must complete damage inspection reports for properties pending sale or endorsement in Presidentially-Declared Major Disaster Areas (PDMDAs) associated with COVID-19. This waiver of SF Handbook policy is effective immediately.

### Quick Links

- View the temporary waiver for damage inspection reports in PDMDAs on the Waivers page at: [https://www.hud.gov/program\\_offices/administration/hudclips/waivers/](https://www.hud.gov/program_offices/administration/hudclips/waivers/)
- Access the *Single Family Housing Policy Handbook 4000.1* in online or portable document format from HUD's Client Information Policy Systems (HUDCLIPS) Handbooks web page at: [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/hsggh](https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh)

## Updated Single Family COVID-19 Q&A Posted

FHA continues to revise its [FHA Single Family COVID-19 Q&A](#) as needed to keep stakeholders updated with the latest information about FHA's response to the Presidentially-declared COVID-19 national emergency. Refer to the [Single Family main page](#) on hud.gov for updates.

### Quick Links

- Access the Single Family main page at: [https://www.hud.gov/program\\_offices/housing/sfh](https://www.hud.gov/program_offices/housing/sfh)

## Resources

Contact the FHA Resource Center:

- Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at: [www.hud.gov/answers](http://www.hud.gov/answers).
- E-mail the FHA Resource Center at: [answers@hud.gov](mailto:answers@hud.gov). Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

<b>FHA INFO Archives:</b>	Visit the <a href="#">FHA INFO Archives</a> to access FHA INFO messages issued from 2012 to the present.
<b>Subscribe/Unsubscribe Instructions:</b>	To subscribe to the Single Family FHA INFO mailing list you can use this link: <a href="#">FHA INFO</a> or send a request by email to: <a href="mailto:answers@hud.gov">answers@hud.gov</a> Bulk subscriptions: To sign up your entire office or a large group, send the list of email addresses (in the format below) to: <a href="mailto:answers@hud.gov">answers@hud.gov</a> <a href="mailto:aaa@xyz.com">aaa@xyz.com</a>



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[FHA Mortgagee Letters](#)

[Foreclosure Assistance](#)

[Grant Opportunities](#)

[HUD Homes - Property Listings](#)

[HUD.gov](#)

[Making Home Affordable](#)

[Presidentially-Declared Major  
Disaster Areas](#)

[Visit our Single Family Home Page](#)



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ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: March 27, 2020**

**Mortgagee Letter 2020-05**

**To:** All FHA-approved Mortgagees  
All Direct Endorsement Underwriters  
All FHA Roster Appraisers  
All FHA-Approved 203(k) Consultants  
All HUD-Approved Housing Counselors  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

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**Subject** Re-verification of Employment and Exterior-Only and Desktop-Only  
Appraisal Scope of Work Options for FHA Single Family Programs Impacted  
By COVID-19

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**Purpose** The purpose of this Mortgagee Letter is to inform Mortgagees and Appraisers of:

- FHA Single Family's modification to the re-verification of employment requirements due to the Presidentially-Declared COVID-19 National Emergency Declaration
- FHA Single Family's Exterior-Only or Desktop-Only Appraisal inspection option, which limits face-to-face contact for certain transactions affected by the Presidentially-Declared COVID-19 National Emergency Declaration

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**Effective Date** The Appraisal guidance in this Mortgagee Letter is effective immediately for appraisal inspections completed on or before May 17, 2020. The re-verification of employment guidance in this Mortgagee Letter is effective immediately for cases closed on or before May 17, 2020.

Policy updates in this ML are temporary and will not be incorporated into the HUD Single-Family Housing Policy Handbook 4000.1.

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*Continued on next page*

## Mortgagee Letter 2020-05

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### **Public Feedback**

HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at [answers@hud.gov](mailto:answers@hud.gov). HUD will consider the feedback in determining the need for future updates.

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### **Affected Programs**

These changes apply to FHA Single Family Title II Forward and Reverse Mortgage Programs.

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### **Background**

On March 13, 2020, President Trump declared a National Emergency concerning the Coronavirus (COVID-19) Outbreak and initiated actions to stem the threat to public health and the American economy. Many of these actions include the need to avoid contact with other people or to stay at home. Also, many employers have suspended non-essential operations in compliance with State and Local government directives. This has hampered the ability of Mortgagees to fully comply with FHA requirements for re-verification of employment, either verbal or electronic, to be completed within 10 Days prior of the date of the Note.

In recognition of the current situation throughout the country, and in support of initiatives to combat the spread of COVID-19, the Department of Housing and Urban Development (HUD) is making modifications to the re-verification of employment and Acceptable Appraisal Reporting Forms and Protocols (Appraisal Protocols) by allowing exceptions for Exterior-Only and Desktop Appraisal inspections in certain transactions.

To maintain the stability of the MMIF, while concurrently aiding the housing market generally, FHA is providing alternatives for re-verification of employment, and exceptions to FHA's Appraisal Protocols as further outlined in this ML. FHA's remaining Appraisal Protocols, and Income and Employment requirements remain unchanged and are still required.

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## Mortgagee Letter 2020-05

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### Summary of Changes

1. Changes to FHA's re-verification of employment:
  - FHA is allowing flexibilities related to the Mortgagee's process of completing re-verification of employment, which includes verbal verification of employment. This is applicable for all FHA Title II forward and reverse mortgage programs, where re-verification of employment is required.
2. Changes to FHA's Appraisal Protocols are as follows:
  - Most Single Family forward and HECM for Purchase transactions may utilize an optional Exterior-Only or Desktop-Only Appraisal inspection scope of work.
  - Traditional HECM, HECM-to-HECM refinances, Rate and Term Refinances and Simple Refinances of properties may utilize an optional Exterior-Only inspection scope of work.
  - All appraisals made in connection with the servicing of FHA's forward or reverse mortgage portfolios may utilize either the Exterior-Only or Desktop-Only Appraisal inspection scope of work.
  - No changes are made to Streamline Refinances, which do not require appraisals or to the appraisal requirements for FHA's Cash-Out refinance, 203(k), and certain purchase transactions.

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### Re-verification of Employment Forward

Mortgagees do not need to provide a re-verification of employment within 10 days of the Note date as described in Handbook 4000.1, Sections II.A.4.c.ii(C)(1)-(2) and II.A.5.b.ii(C)(1)-(2) Traditional and Alternative Current Employment Documentations, provided that the Mortgagee is not aware of any loss of employment by the borrower and has obtained:

- For forward purchase transactions, evidence the Borrower has a minimum of 2 months of Principal, Interest, Taxes and Insurance (PITI) in reserves; and
  - A year-to-date paystub or direct electronic verification of income for the pay period that immediately precedes the Note date, or
  - A bank statement showing direct deposit from the Borrower's employment for the pay period that immediately precedes the Note date.
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## Mortgagee Letter 2020-05

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### **Re-verification of Employment HECM**

Mortgagees do not need to provide a re-verification of employment within 10 days of disbursement as described in Section 3.8 and 3.9 of the HECM Financial Assessment and Property Charge Guide, provided that the Mortgagee is not aware of any loss of employment by the borrower and has obtained:

- A year-to-date paystub or direct electronic verification of income for the pay period that immediately precedes the Note date, or
  - A bank statement showing direct deposit from the Borrower's employment for the pay period that immediately precedes the Note date
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### **HUD Single Family Housing Appraisal Policy**

When applicable, as described below, the appraiser may amend the scope of work to perform an Exterior-Only (viewing from the street) or Desktop-Only. The Appraiser may rely on supplemental information from other reliable sources such as Multiple Listing Service (MLS), and Tax Assessor's Property Record to prepare an appraisal report. The Appraiser may rely on information from an interested party to the transaction (borrower, real estate agent, property contact, etc.) with clear appraisal report disclosure when additional verification is not feasible. The appraisal report must contain adequate information to enable the intended users to understand the extent of the inspection that was performed.

The Exterior-Only and Desktop-Only Appraisal options must continue to be reported on the current FHA approved appraisal forms with amended certifications and scope of work disclosures.

#### **Appraisal Forms and Amended Certifications**

The optional Exterior-Only and Desktop-Only appraisals must be reported on the existing Acceptable Appraisal Reporting Forms by Property and Assignment Type. These forms will require amended certifications and clear scope of work disclosures. Mortgagees are reminded that Exterior Appraisal forms Fannie Mae 2055 and Fannie Mae 1075 are not FHA approved forms and are not compatible with FHA's Electronic Appraisal Delivery (EAD) portal.

The appraisal report must include a signed certification indicating whether the Appraiser did or did not personally inspect the subject property and the extent of the inspection. FHA has provided [model certifications](#) for the Exterior-Only and Desktop-Only scope of work.

## Mortgagee Letter 2020-05

### Exterior-Only Option

The required protocols and exhibits under the Exterior-Only Option are:

- Appraiser will observe the Property and Improvements from the street.
- The Appraisal will be completed “AS IS” unless Minimum Property Requirements (MPR) related deficiencies are observed from the street or otherwise known.
- The Appraiser may utilize extraordinary assumptions when necessary.
- No sketch, interior photos or rear exterior photographs are required.

### Desktop-Only Option

The required protocols and exhibits under the Desktop-Only Option are:

- Appraiser will not physically observe the Property and Improvements.
- The Appraisal will be completed “AS IS” unless MPR related deficiencies are known.
- The Appraiser may utilize extraordinary assumptions when necessary.
- No sketch, interior photos, exterior photographs are required.
- No comparable viewing nor photos are required.

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#### **FHA Purchase Transactions**

FHA will accept appraisals for both forward and HECM for Purchase transactions with an optional Exterior-Only or Desktop-Only scope of work by the Appraiser. These flexibilities are not permitted on New Construction, Construction to Permanent, Building on Own Lands and 203(k) purchases.

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#### **FHA Refinance and Traditional HECM**

FHA will accept appraisals for Traditional HECM, HECM-to-HECM Refinance, Rate and Term Refinance, and Simple Refinance with an optional Exterior-Only scope of work by the Appraiser. These flexibilities are not permitted on Cash out Refinances and 203(k) refinances.

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#### **FHA Single Family Servicing**

FHA will accept appraisals for both forward and HECM servicing with an optional Exterior-Only or Desktop-Only scope of work by the Appraiser.

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## Mortgagee Letter 2020-05

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**Form 1004D Part B Completion Report** When an Appraisal Update and/or Completion Report (Form 1004D) Part B is required to evidence the completion of required repairs, FHA will permit a letter signed by the borrower affirming that the work was completed with further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the case binder. These flexibilities are not permitted on New Construction, Construction to Permanent, Building on Own Lands, and 203(k) transactions.

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**Paperwork Reduction Act** The information collection requirements contained in this document are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0538 and 2502-0059. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

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**Questions** For additional information on this ML, please visit [www.hud.gov/answers](http://www.hud.gov/answers) or call FHA's Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number via TTY by calling the Federal Relay Service at 1-800-877-8339.

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**Signature** Brian D. Montgomery  
Assistant Secretary for Housing  
-Federal Housing Commissioner

### **Valuation Practices during COVID-19**

1. Purpose. On March 13, 2020, the President of the United States declared a National Emergency due to Coronavirus Disease 2019 (COVID-19). Loan Guaranty (LGY) is committed to protecting Veterans, appraisers and industry stakeholders while continuing to execute our mission of delivering VA home loan benefits. The potential risks associated with the COVID-19 provides unique challenges in the appraisal process as VA fee panel appraisers may be required to access the interior of homes. The Centers for Disease Control and Prevention (CDC) has encouraged social distancing between individuals to limit community spreading of COVID-19. As a result, this Circular provides guidance for valuation and appraising for VA home loan purposes.

2. Background. Appraisals are performed by an appraiser on VA's fee panel to protect the interest of Veterans, lenders, servicers, and VA. VA's fee panel is comprised of independent licensed fee appraisers. The appraiser is an independent state licensed or certified professional that provides objective, impartial, and unbiased opinions about the value of real property aiding those who own, manage, sell, invest in, and/or lend money on the security of real estate. Appraisers assemble a series of facts, statistics, and other information regarding specific properties, analyze this data, and develop opinions of value. Each appraisal assignment challenges the appraiser's ability to put analytical skills into practice, exercise sound judgment, and communicate effectively, to estimate the market value of the property in accordance with the Uniform Standards of Appraisal Practice (USPAP) and VA appraisal guidelines as outlined in the [VA Pamphlet 26-7, Chapter 10 Appraisal Process \(NEW\)](#). All appraisal types, except for some liquidation appraisals, require the appraiser access and view the interior of the property. This has been normal practice in the real estate industry for decades to aid in the determination of market value and ensure real property meet the safe, sound, and sanitary requirements as outlined in the detailed list of Minimum Property Requirements (MPRs), [38 CFR §36.4347c](#).

3. Effective Dates. The policies outlined in this Circular are effective for all loans closed on, or after, the date of this Circular and until further notice or the rescission of this Circular.

4. Action. VA will change the long-standing practice of requiring access to the interior of the home for certain types of loans and characteristics of those loans. Appraisers will still follow the same procedures of the VA appraisal process and are still required to meet USPAP and state requirements for delivering an appraisal that meets those qualifications, but are allowed the broader use of exterior inspection. Considering the health and safety of Veterans and VA Appraiser Fee Panel members during this national emergency, valuations may come in a form of an Exterior-Only appraisal with enhanced assignment conditions or in limited instances, a Desktop appraisal. On page 1 of the Uniform Residential Appraisal Report (URAR), Subject section, "Map Reference" appraisers are to state "Exterior-Only" or "Desktop." These procedures are temporary in nature and VA will return to normal operations after the national emergency.



5. Notice. USPAP Standards Rule 1-2, Standards Rule 2-2, and Advisory Opinion 2 does not require an inspection unless necessary to produce credible assignment results. Although an interior inspection would customarily be part of the scope of work for a VA appraisal assignment, health or other emergency conditions may require an appraiser to make an Extraordinary Assumption (EA) about the interior of a property. This is permitted by USPAP if the appraiser has a reasonable basis for the EA and still results in a credible analysis. The appraisers will always determine the scope of work for the assignment. All EA will be boldly noted in the Reconciliation section of the report. The report will be completed “AS IS” unless there are MPR requirements the appraiser observed in the review of the property. Without an interior review of the property, the appraiser can make an EA concerning MPRs with the information available.

a. The appraiser will continue to gain access to view the interior property in the instances outlined below.

(1) Purchase Transaction (vacant property). When the appraiser’s assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place.

(2) Purchase or Refinance Transaction (property occupied). When the appraiser’s assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place. In addition, all parties must agree to the interior inspection and meet the following:

(a) either party has not been instructed by health authorities to stay home or practice social distancing; or

(b) does not have flu-like symptoms (such as fever, cough, or shortness of breath); or

(c) has not been quarantined under direction of public health authorities; and

(d) no parties are within the CDC guidance of high risk found at: <https://www.cdc.gov/coronavirus/2019-ncov/specific-groups/high-risk-complications.html>.

b. If either party does not wish to move forward with the interior inspection or do not meet the criteria listed above, the appraiser may move forward with an Exterior-Only appraisal with enhanced assignment conditions. Lenders may not direct the appraiser to conduct an interior inspection.

6. Exterior-Only Appraisal. This report option with enhanced assignment conditions will be completed on the FNMA 2055/1075 URAR form. For manufactured homes and multi-unit (2-to-4 unit) properties, appraisers will use the 1004C or 1025 form. Appraisers are to boldly and inconspicuously state “Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19.” Exterior-Only Appraisal with enhanced assignment conditions will be limited to the maximum 2020 Freddie Mac Conforming Loan Limit for a one-unit limit for the county or county-equivalent area.

a. Purchase or Refinance transactions. When an area may be restricting personal contact or when either party are in or have others that reside with them that are categorized as high risk

according to the CDC, the appraiser must make every effort to complete the enhanced assignment conditions listed below.

(1) The appraiser will review the full exterior of the property and provide photos of all sides of the property with detailed notes of the exterior and any visible MPRs. In instances of obstructed or restricted view and access is unable to be granted or allowed, Multiple Listing Service (MLS) photos of these areas may be utilized. If MLS photos are utilized, it must be explained in the appraisal report.

(2) A measurement of the footprint of the home should be provided if accessible. This is not to determine the gross living area (GLA) but for the appraiser to reconcile with public records.

(3) The appraiser will conduct a detailed interview over the phone with the occupant, Veteran, or real estate professional regarding the property. It is the appraiser's responsibility to obtain sufficient information to provide a creditable report. Interview questions should be noted and kept in the appraisers work file. Key items that may impact market value should be noted in the appraisal report with details about what was provided and by whom.

(4) The appraiser may utilize any and all photos available from MLS, provided by the occupant, Veteran, or real estate professional.

b. Liquidation and Servicer Appraisal Processing Program (LGI/SAPP). Effective immediately, all liquidation reports will be completed on a [Freddie Mac Form 2055, Exterior-Only Inspection Residential Appraisal Report](#). The appraiser can complete the exterior appraisal as they have historically without the need for enhanced assignment conditions outlined above.

7. Desktop Appraisal Valuations. This report option will be completed on the FNMA 1004, 1073, 1004C, 2025 and the appraiser will be required to attach a copy of the provided Scope of Work (SOW) Exhibit A, certifications, and assumptions in all reports. Appraisers are to boldly and inconspicuously state "Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19".

a. Desktop valuations will be limited to the maximum 2020 Freddie Mac Conforming Loan Limit for a one-unit limit for the county or county-equivalent area. The lender will address this at the time of the assignment.

b. Desktop appraisals will be conducted when the appraiser's assigned geographic jurisdiction has restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place. Lenders must state in both in "public" notes in WebLGY and by e-mail to the appraiser if they will accept a Desktop appraisal. If the lender will not accept a Desktop appraisal, the appraiser will place the assignment on hold for 30 days and then subsequently cancel, if the status has not changed. The appraiser will annotate "public" notes in WebLGY updates on a weekly basis.

(1) Purchase transactions. The appraiser defines the scope of the work and will annotate in the appraisal report concerning the source of information provided.

(2) Cash-Out Refinance Transactions. The appraiser will prioritize assignments based on purchase transactions first and determine if sufficient information is publicly available and

verifiable. Appraisers are not required to proceed on the assignment if information is not available to provide a credible report. In the event the appraiser is not able to complete the assignment, the lender may choose to cancel the request or have the RLC suspend the assignment until the national emergency is lifted and a more detailed report can be produced.

(3) Liquidation Transactions. Desktop valuations will not be utilized for liquidation purposes.

c. VA understands that there may be insufficient data available to produce a creditable report. Appraisers are not required to accept a Desktop valuation order. In addition, the use of Assisted Appraisal Processing Program (AAPP) is not authorized for Desktop appraisals. When an appraiser believes the scope of work required to develop a credible report is not capable in a Desktop appraisal, the appraiser must contact the RLC to place the assignment on hold.

8. Reconsideration of Value. In times of uncertainty, the housing market strengths may be less predictable to report. Appraisers will have comparable sales that took place prior to the President declaring a national emergency and active and pending sales can be less predictable. During this time, it is important to ensure that Veterans continue to be able to purchase a home. VA, the lender, and the appraiser will work together during this time to assist in the best possible outcome for the Veteran.

a. Purchase Transactions. Reconsideration of Values (ROV) for purchase transactions will be restricted to no greater than 5 percent from the appraiser's opinion of value. The same criteria is required as outlined in [VA Pamphlet 26-7](#), Chapter 10 Appraisal Process (NEW), Section 22. In addition, a field review by VA Regional Loan Center (RLC) staff will not be a completed in conjunction with the ROV request.

b. Cash-Out Refinance Transactions. VA will suspend ROV requests for cash-out refinance loans until further notice.

c. Liquidation Transactions. VA will suspend ROV requests for liquidation loans until further notice.

9. Memorandum of Values. In extreme cases when an appraiser is not available to complete an appraisal assignment for a purchase, VA has the authority and ability to issue a Memorandum of Value (MOV). This will be completed on a case-by-case basis.

10. Renovation and Repair Loans. Appraisers are to suspend any renovation and repair assignments until further notice.

11. Repair Inspections. Due to the lack of verification of completion by the appraiser or inspector that repair items have been completed, lenders have one of the two following options to supply to VA.

a. Lenders have the authority and are encouraged to certify repairs, especially repairs performed by licensed personnel, instead of an appraiser certification as outlined in the [VA Pamphlet 26-7](#), Chapter 10 Appraisal Process (NEW), Section 23, Topic b. Repair certifications which may involve lead-based paint must still be completed by a fee appraiser;

however, the lender can escrow for future inspection and costs with a third-party. Lenders may hold funds in escrow for repairs to be completed after closing.

b. All repairs must be completed and escrowed funds distributed before the loan may be guaranteed by VA as outlined in the [VA Pamphlet 26-7, Chapter 12 Minimum Property Requirements \(NEW\), Section 44, Topic e](#). In addition, there must be adequate assurance that the work will be completed timely and satisfactorily (up to 180 days).

12. Termite Inspections. [VA Pamphlet 26-7, Chapter 12 Minimum Property Requirements \(NEW\), Section 33, Topic b](#), requires a wood inspection report if the property is located in an area on the Termite Infestation Probability Map where the probability of termite infestation is "very heavy" or "moderate to heavy". If there is no known or visible evidence of termite infestation present, the seller and realtor must provide a certification to that fact. If there is known or visible evidence of termite infestation, a clear termite report must be provided within one year of close of escrow.

13. Any additional NOV conditions. Any additional items that need to be met on the NOV to comply with VA requirements will have to be met in 180 days from the date of the NOV issuance. All conditions must be completed before the loan will be guaranteed by VA. The Veteran must acknowledge and accept any and all conditions not met prior to closing.

14. Appraiser Information. The appraiser defines the scope of the work and they must have enough information to provide a creditable report. The appraiser will need to rely upon all publicly discoverable records, MLS photos and commentary, real estate professionals and homeowners. It is imperative this information is documented and retained. Key items that may impact market value should be noted in the appraisal report with details about what was provided and by whom. When relying upon photos provided by another party or from the MLS, it should be noted in the report. When the appraiser believes that the assignment is too complex to be completed by a Desktop or Exterior-Only appraisal, the appraiser is to contact the RLC and the lender to place the assignment on hold.

15. Communication. To keep Veterans and appraisers safe while continuing the mission of the VA Home Loan program, communication between the Veteran, lender, appraiser and other stakeholders is key during this time. Below is the guidance being provided.

a. Veteran.

(1) If the appraiser is scheduled to complete an interior review of the property and you or another occupant of the home is experiencing flu like symptoms, such as fever, cough or shortness of breath, or have tested positive for COVID-19, you must notify the lender immediately.

(2) If you are initiating the ROV process, please notify and provide your lender any evidence/justification in support of the request.

b. Lender.

(1) If the appraiser is scheduled to complete an interior review of the property and the Veteran notifies you of a change in his/her or another occupant of the home's health, please notify the appraiser immediately.

- (2) Ensure the appraiser has the necessary interior or exterior access to the property.
- (3) Provide any MLS photos or other supporting evidence so the appraiser can provide a creditable report.
- (4) Communicate with the appraiser, Veteran and VA throughout this process both by e-mail, phone and “public” notes in WebLGY.

c. Appraiser. VA understands that appraisers may experience operational delays as a result of COVID-19; however, every effort should be made to complete the appraisal within state defined timeframes outlined at:

[https://www.benefits.va.gov/HOMELOANS/appraiser\\_fee\\_schedule.asp](https://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp).

(1) Please contact the RLC of jurisdiction or the point of contact for the scheduled appointment if you have tested positive for COVID-19 or have a change in your health status that would prevent you from completing an assignment.

(2) Communicate with lender, clients and VA throughout this process both by e-mail, phone and “public” notes in WebLGY.

(3) In circumstances where timelines may be extended, the appraiser must clearly document WebLGY in the “public” notes and communicate directly with the lender.

16. Fees. Fees for services will remain as posted at [https://www.benefits.va.gov/HOMELOANS/appraiser\\_fee\\_schedule.asp](https://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp). Fees for Exterior-Only appraisal with enhanced assignment conditions or a Desktop appraisal will remain the same as an Interior appraisal. VA may require appraisers to complete a 1004D appraisal update within one year of completing an Exterior-Only or Desktop appraisal under the same fee payment.

17. For additional questions, please contact your VA RLC by calling 1-877-827-3702, option #6 within the hours of operation between 8am to 6pm EST.

18. Rescission: This Circular is rescinded April 1, 2021.

By Direction of the Under Secretary for Benefits

**Jeffrey F. London** Digitally signed by Jeffrey F.  
104135 London 104135  
Date: 2020.03.27 10:39:47 -04'00'

Jeffrey F. London  
Director  
Loan Guaranty Service

Distribution: CO: RPC 2022  
SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2022)

**Modified Set of Instructions, Scope of Work, Statement of Assumptions and  
Limiting Conditions and Certifications for Desktop Appraisals**

This Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification replaces and supersedes the corresponding sections of the appraisal report to which this language is attached as an addendum. It is authorized and used with the express permission of Department of Veteran Affairs as of March 27, 2020. Any signatures attached to the original appraisal report and certifications are incorporated and apply to these revised sections.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, or definition of market value are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Additional modifications or deletions to this revised set of certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

**SCOPE OF WORK:** The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) obtain and review adequate and reliable information for the subject property, and the subject project (where applicable) including, but not limited to, public and/or private data records, and information as described by the appraiser in the appraisal report, (2) research, verify, and analyze adequate and reliable data from public and/or private sources for the subject market area including data for each comparable property reported, and, (3) report his or her analysis, opinions, and conclusions in this appraisal report.

**INTENDED USE:** The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

**INTENDED USER:** The intended user of this appraisal report is the lender/client.

**DEFINITION OF MARKET VALUE:** The most probable price which a property should bring in a competitive and open market under all condition's requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) the buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her

own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale.

\*Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction. **Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.**

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS:** The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.
2. If the appraiser has included a floor plan in this appraisal report, it shows the approximate dimensions of the improvements. If included, the floor plan is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.
3. The appraiser has relied on data provided by third parties in this appraisal report. Such data may include, but is not limited to, flood maps, multiple listing real estate services, tax assessment records, public land records, satellite imagery, virtual street views, property data services, surveys, engineering reports, and property data aggregations. After examination of the data and data sources, the appraiser has used only the data he or she considers reliable. The appraiser assumes there are no material omissions and makes no guarantees, express or implied, regarding the accuracy of this data.
4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.
5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the

presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.

**APPRAISER'S CERTIFICATION:** The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

2. I did not perform a personal visual inspection of the subject property as part of this appraisal assignment. I reported the condition of the improvements in factual, specific terms, relying on subject property information from third party data sources. I reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property or cooperative interest (where applicable) that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value, but did not develop them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the 12 months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of 3 years prior to the effective date of this appraisal, unless otherwise indicated in this report.

6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of 1 year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.

7. I selected and used comparable sales that are location, physically, and functionally the most similar to the subject property.

8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.



9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.

10. [RESERVED]

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.

13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.

14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, including the subject project (where applicable), subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.

15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.

16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.

17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).

19. I personally prepared all conclusions and opinions about the real estate or cooperative interest (where applicable) that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.

21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

**SUPERVISORY APPRAISER'S CERTIFICATION:** The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.
4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature. This modified set of instructions, Scope of Work Statement of Assumptions and Limiting Conditions, and Certification replaces and supersedes the corresponding sections of the appraisal report to which this language is attached as an addendum. It is authorized and used with the express permission of Department of Veteran Affairs as of March 27, 2020. Any signatures attached to the original appraisal report and certifications are incorporated and apply to these revised sections.

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Receive Updates



# Single Family Housing Guaranteed Loan Program Temporary Exceptions to Interior Inspection Appraisals and Verbal Verification of Employment in Relation to COVID-19 Pandemic

USDA Rural Development sent this bulletin at 03/27/2020 05:09 PM EDT

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## SFH Guaranteed Origination

**March 27, 2020**

### Single Family Housing Guaranteed Loan Program Temporary Exceptions to Interior Inspection Appraisals and Verbal Verification of Employment in Relation to COVID-19 Pandemic

The purpose of this announcement is to inform lenders of temporary exceptions pertaining to appraisals, repair inspections, and income verification for the Single Family Housing Guaranteed Loan Program (SFHGLP) due to the COVID-19 pandemic. Effective immediately, the following exceptions to Agency guidance found at HB-1-3555 are in effect for a period of 60-days.

#### Residential Appraisal Reports – Existing Dwelling

For purchase and non-streamlined refinance transactions, when an appraiser is unable to complete an interior inspection of an existing dwelling due to concerns associated with the

COVID-19 pandemic, an “Exterior-Only Inspection Residential Appraisal Report”, (FHLMC 2055/FNMA 2055) will be accepted. In such cases, appraisers are not required to certify that the property meets HUD HB 4000.1 standards. The appraisal must be completed in accordance with the Uniform Standards of Professional Practice (USPAP) and the Uniform Appraisal Dataset (UAD).

This exception is not applicable to new construction properties or construction to permanent loans. As a reminder, appraisals are not required for streamlined and streamlined-assist refinance transactions.

### **Repair Inspections – Existing Dwelling**

Loans for which a completion certification is not available due to issues related to the COVID-19 pandemic, a letter signed by the borrower confirming that the work was completed is permitted. Lenders must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the loan file.

This exception is not applicable to rehabilitation and repair loans noted in section 12.28 of HB-1-3555.

### **Verbal Verification of Employment**

Lenders must document and verify the borrowers annual and repayment income in accordance with Agency regulations. Lenders should use due diligence in obtaining the most recent income documentation to reverify the borrowers repayment ability prior to closing. When the lender is unable to obtain a Verbal Verification of Employment (VVOE) within 10 business days of loan closing due to a temporary closure of the borrower’s employment, alternatives should be explored. For example, email correspondence with the borrower’s employer is an acceptable alternative to a VVOE. If the lender is unable to obtain a VVOE or acceptable alternative, the requirement will be waived when the borrower has a minimum of 2 months cash reserves.

In the case of a reduction of income, the borrower’s reduced income must be sufficient to support the new loan payment and other non-housing obligations. Borrower’s with no income at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.

### **Expiration of Temporary Exceptions**

These temporary exceptions will expire 60 days from the date of this notice.

Questions regarding program policy and this announcement may be directed to the National Office Division at [sfhgld.program@usda.gov](mailto:sfhgld.program@usda.gov) or (202) 720-1452.

Thank you for your support of the Single-Family Housing Guaranteed Loan Program!

### **Links to websites:**

SFHGLP Lending Partner Webpage: <https://www.rd.usda.gov/page/sfh-guaranteed-lender>

SFHGLP webpage: <https://www.rd.usda.gov/programs-services/single-family-housing->

[guaranteed-loan-program](#)

USDA LINC Training and Resource Library:

<https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>

Procedure Notices: <https://www.rd.usda.gov/resources/directives/procedures-notice>

## Help Resources

### USDA ITS Service Desk Support Center

For e-Authentication assistance

Email: [eAuthHelpDesk@ftc.usda.gov](mailto:eAuthHelpDesk@ftc.usda.gov)

Phone: 800-457-3642, option 1 (USDA e-Authentication Issues)

### Rural Development Help Desk

For GUS system, outage or functionality assistance

Email: [RD.HD@STL.USDA.GOV](mailto:RD.HD@STL.USDA.GOV)

Phone: 800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development)



Questions?  
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## FDIC FAQ <sup>[1]</sup>

1. How should financial institutions respond to COVID-19 related issues relative to inspections of real property?

Financial institutions should consult with appraisers and other persons performing real estate inspections about alternative arrangements if the property owner does not want to permit access to the interior of a property due to concerns related to COVID-19.

2. How should COVID-19 related issues be addressed in appraisal reports?

Financial institutions should consult with appraisers about how to address any short-term, temporary reduction in the income stream produced by income-producing real estate that has been affected by COVID-19.

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<sup>1</sup> FDIC. [Frequently Asked Questions for Financial Institutions Affected by the Coronavirus Disease 2019](#)