



COVID-19 - Fannie Mae & Freddie Mac Temporary Guideline Relief

Bulletin Date: March 23, 2020

Fannie Mae & Freddie Mac Temporary Guideline Relief

Fannie Mae and Freddie Mac, with guidance from the FHFA, have issued a joint Lender Letter laying out temporary seller guide relief, in an attempt, to assist customers located in areas impacted by COVID-19.

The following criteria will be implemented by loanDepot Wholesale (LDW) **effective immediately** and will **remain in effect through May 17, 2020**.

Verbal Verification of Employment (VVOE)

LDW will attempt to obtain the VVOE in accordance with Fannie Mae & Freddie Mac requirements. However, we will now allow the following documentation in **lieu of obtaining** a VVOE.

Alternative Sources of Validation

- **Written Verification - email from current employer**
 - **Must Include the following:**
 - Email must originate directly from the employer's work email address
 - Identifies the name and title of individual verifying the borrower's current employment status**Note:** Verifications received from a general email domain (gmail.com) are ineligible.
- **Current Paystub (YTD)**
 - **Must Include the following:**
 - Obtain a year-to-date pay stub from the pay period *immediately preceding Note Date*
- **Bank Statement/Asset Account Statement - with payroll direct deposit**
 - **Must Include the following:**
 - Direct deposit must be from the pay period *immediately preceding Note Date*

Note: If employment has been validated by the Desktop Underwriter (DU) validation service, the validation will remain eligible for representation and warranty relief on employment provided the transactions complies with the "close by" date in the DU message. Otherwise, the guidance provided above applies.

Continuity of Income

Given the current economic climate associated with COVID-19 and its impact on employment and income, LDW will apply additional due diligence to ensure the most recent information is obtained. LDW will ensure that any disruption to borrowers' employment (or self-employment) and/or income due to COVID-19 is not expected to negatively impact their ability to repay the loan.

As an example of additional due diligence for a self-employed borrower, LDW will attempt to verify that the borrower's business is operational closer to the note date rather than rely on current Selling Guide requirements (e.g., within 15 days instead of 120 days).

Temporary Appraisal Requirement Flexibilities

Effective immediately, Fannie Mae and Freddie Mac are allowing temporary flexibilities to their appraisal inspection and reporting requirements. 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.

Fannie Mae and Freddie Mac will accept an alternative to the traditional appraisal required under Fannie Mae [Chapter B4-1](#) or Freddie Mac [Section 5601.5\(a\)](#), when an interior inspection is not feasible because of COVID-19 concerns.

They will allow either:

- Desktop Appraisal; or
- Exterior-Only (Drive-by) appraisal in lieu of a traditional appraisal (Interior & Exterior Inspection)

Permissible Appraisal Requirements					
Mortgage purpose	LTV		Occupancy type	Ownership of Mortgage being refinanced	Permissible Appraisals (in order of preference)
Purchase transaction ¹	FNMA	FHLMC	Primary Residence	N/A	(1) Traditional Appraisal (interior & exterior)
	Per Matrix	Up to 97%			(2) Desktop Appraisal
	≤85%		Second Homes & Investment Properties		(3) Drive-by Appraisal (exterior-only)
	>85%		Second homes		(1) Traditional Appraisal (interior & exterior)
Limited or No Cash-out Refinance	See Program Matrices		All	Fannie Mae to Fannie Mae Refi or Freddie Mac to Freddie Mac Refi	(1) Traditional Appraisal (interior & exterior)
				If the lien is NOT Fannie Mae to Fannie Mae or Freddie to Freddie	(2) Drive-by Appraisal (exterior-only)
Cash-out Refinance				All	(1) Traditional Appraisal (interior & exterior)

¹These flexibilities are not permitted for Construction Conversion, Renovation or new construction properties

Note: For all loans with an LTV >80%, Please confirm MI coverage eligibility for mortgages using one of the temporary appraisal flexibilities.

Appraisal Waterfall

Desktop Appraisals

When an interior and exterior appraisal is not available, obtain a desktop appraisal first, prior to ordering a Drive-by (exterior-only) appraisal.

- See **Permissible Appraisal Requirements Matrix** above for eligibility

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	
	FNMA	FHLMC
One-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Form 1004, Uniform Residential Appraisal Report	Form 70, Uniform Residential Appraisal Report
Condominium Unit	Form 1073, Individual Condominium Unit Appraisal Report	Form 465, Individual Condominium Unit Appraisal Report
Cooperative Unit	Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report	
2- to 4-unit property	Form 1025, Small Residential Income Property Appraisal Report	Form 72, Small Residential Income Property Appraisal Report
Manufactured Home	Form 70B, Manufactured Home Appraisal Report	Form 70B, Manufactured Home Appraisal Report

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.

As described under the section entitled **Additional Form Instructions for Appraisals** below, Fannie Mae and Freddie Mac 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
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Exterior-Only Inspection (Drive-by) Appraisals

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

- See **Permissible Appraisal Requirements Matrix** above for eligibility

The table below shows the appraisal report form that must be used to complete a Drive-by appraisal for each property type.

Property type	Acceptable appraisal form	
	FNMA	FHLMC
One-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Guide Form 2055, Exterior-Only Inspection Residential Appraisal Report	
Condominium Unit	Form 1075, Exterior-Only Inspection Individual Condominium Unit Appraisal Report	Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report
Cooperative Unit	Fannie Mae Form 2095, Exterior Only Individual Cooperative Interest Appraisal Report	
2- to 4-unit property	Form 1025, Small Residential Income Property Appraisal Report	Form 72, Small Residential Income Property Appraisal Report
Manufactured Home	Form 1004C, Manufactured Home Appraisal Report	Form 70B, Manufactured Home Appraisal Report

NOTE: Because there are not appropriate Drive-by 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 above.

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 Drive-by appraisals

The following exhibits to the appraisal report are required for a Drive-by 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, & Appraiser's Certification

Fannie Mae and Freddie Mac 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, they have jointly developed the following documents that include modified language to be used with desktop appraisal reports and exterior-only appraisal reports:

Desktop Appraisals

[Modified Set of Instructions, Scope of Work, Statements of Assumptions and Limited Conditions and Certifications](#)

Exterior-only inspection (Drive-by) Appraisals

[Modified Set of Instructions, Scope of Work, Statements of Assumptions and Limited Conditions and Certifications](#)

Additional Form Instructions for Appraisals

For a desktop appraisal or an appraisal with a Drive-by inspection that is completed on a form for an interior and exterior inspection (e.g., Form 2055 or Form 70) 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."

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		
City	State	
Owner of Public Record	County	
Map #	Tax Year	R.E. Taxes \$
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
Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)		

Identification of a Fannie Mae or Freddie Mac Loan

- [Fannie Mae Loan Lookup](#)
- [Freddie Mac Loan Lookup](#)

Appraisal Waivers

Fannie Mae (PIW)

LDW will accept appraisal waiver offers when eligible and provided through DU to address concerns around contact between appraisers and homeowners. All Selling Guide requirements pertaining to appraisal waivers apply (see Selling Guide B4-1.4-10).

Fannie Mae is continuing to monitor the impact of COVID-19 and will evaluate additional appraisal waiver flexibilities if the situation warrants such action.

Freddie Mac (ACE)

In order to reduce contact between appraisers, homeowners, and home purchasers, when eligible, LDW will accept appraisal waiver offers provided through Loan Product Advisor. 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

Freddie Mac is 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%

Form 1004D Completion Reports

Fannie Mae and Freddie Mac require the Appraisal Update and/or Completion Report (FNMA Form 1004D or FHLMC Form 442) 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, Fannie Mae HomeStyle Renovation loans, Fannie Mae and Freddie Mac 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 requirements

The temporary appraisal flexibilities for desktop and exterior-only appraisals and completion reports **may not be used** with HomeStyle Renovation when the appraisal is done **subject to completion**.

A traditional appraisal with an interior and exterior inspection is required for these transactions as well as a 1004D when one is required. If we are unable to obtain a traditional appraisal, **the loan is not eligible**.

Additional information concerning other requirements for renovation loans will be provided in a forthcoming Lender Letter from Fannie Mae.

Future Updates

LDW will continue to monitor Agency and Investor announcements and will communicate changes as they come.

Please Contact your Account Executive with any questions.



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