



INTERIM COVID-19 RELATED APPRAISAL AND EVALUATION POLICY

For use as a component to a financial institution's appraisal policy until termination of investor policies or regulation incorporated into the interim policy.

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INTRODUCTION

Influenza pandemics in general have occurred for centuries with three occurring in the 20th century alone, in the years 1918, 1957, and 1968. The first influenza pandemic declared in the 21st century occurred in June 2009 with the H1N1 outbreak. On January 30, 2020 the World Health Organization (WHO) declared the COVID-19 outbreak a “public health emergency of international concern” and on March 11, 2020, WHO declared COVID-19 a pandemic. Consequently, careful planning for any business disruption is imperative.

On March 13, 2020, the president declared a national emergency due to the COVID-19 outbreak. In light of the declaration, the federal banking agencies and Wisconsin’s Department of Financial Institutions issued statements encouraging financial institutions to work with customers impacted by COVID-19 in safe and sound manners.

On March 24, 2020, Governor Evers issued executive order #12 ordering all non-essential businesses to close and for the general public to remain safe at home. The order defined what type of business was to be considered “essential”. Included in the definition were financial institutions and other professional services, such as lawyers, accountants, appraisers, home inspectors, and title services.

As a result of the proclamation and order, appraisals and evaluations of residential and commercial properties have been difficult to schedule or complete. Appraisal companies have been hesitant in sending staff into properties for assessment and property owners are equally reluctant to allow appraisers into properties for review. It has become extremely difficult to complete required appraisals and evaluations in the COVID-19 pandemic environment. Loan underwriting and the processing of loan applications involving residential and commercial properties have stalled as a result.

To assist with the underwriting bottleneck, on April 14, 2020, the banking agencies jointly issued an *Interagency Statement on Appraisals and Evaluations for Real Estate Related Financial Transactions Affected by the Coronavirus*. The statement was meant to help address challenges relating to appraisals and evaluations for real estate-related financial transactions affected by COVID-19.

On April 17, 2020, the banking agencies published an interim final rule to allow for the deferral of certain appraisals and evaluations for up to 120 days after closing of residential or commercial real estate loan transactions. Transactions involving acquisition, development, and construction of real estate are excluded from the interim rule. The temporary provisions are set to expire December 31, 2020, unless extended by the federal banking agencies.

Under the interim final rule, regulated institutions that defer receipt of an appraisal or evaluation are still expected to conduct lending activity consistent with the underwriting principles in the agencies' Standards for Safety and Soundness and Real Estate Lending Standards that focus on the ability of a borrower to repay a loan and other relevant laws and regulations.

By the end of the deferral period, regulated institutions must obtain appraisals or evaluations that are consistent with safe and sound banking practices, as required by the agencies' appraisal regulations.

The Wisconsin Bankers Association (WBA) has prepared this policy for use by financial institutions to aid them in complying with the requirements of federal regulators to still conduct lending activity consistent with the agencies' underwriting principles despite deferral of receipt of an appraisal or evaluation. The policy is designed to be used as part of your institution's broader Standards for Safety and Soundness, Real Estate Lending Standards, or Appraisal policy.

The policy is intended as a model only and must be customized by each financial institution to their specific situation prior to its implementation and use. Since it is a model only, it may not address every aspect of possible real estate-related loan transactions at your particular financial institution. There is a list of "Additional Resources" with this policy that financial institutions are encouraged to review for supplemental help in preparing their particular interim appraisal and evaluation policy.

**INTERAGENCY STATEMENT ON APPRAISALS AND EVALUATIONS
FOR REAL ESTATE RELATED FINANCIAL TRANSACTIONS AFFECTED
BY THE CORONAVIRUS**

The Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and Consumer Financial Protection Bureau (CFPB), in consultation with the state financial regulators, issued an interagency statement on April 14, 2020, to address challenges relating to appraisals and evaluations for real estate related financial transactions affected by the Coronavirus Disease 2019 (referred to as COVID-19). The United States has been operating under a presidentially declared emergency since March 13, 2020. COVID-19 has significantly affected financial institutions and their customers, and the agencies seek to assist financial institutions in their provision of needed services to their customers and to the general public.

The interagency statement outlines existing flexibilities in industry appraisal standards and in the appraisal regulations issued by the OCC, FRB, FDIC, and NCUA (agencies) and describes temporary changes to Fannie Mae and Freddie Mac appraisal standards that can assist lenders during this challenging time. The agencies will continue to communicate with the industry as this situation unfolds, as appropriate.

I. Flexibility for Physical Property Inspections

The agencies' appraisal regulations require that appraisals be conducted in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). While exterior and interior inspections are commonly conducted in preparing appraisals and evaluations and can facilitate high quality valuations, such inspections are not required by the agencies' appraisal regulations implementing Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). Rather, as allowed by USPAP, an appraiser can determine the characteristics of a property through, among other things, any combination of property inspection, asset records, photographs, property sketches, and recorded media.

Institution management should be aware that the Appraisal Standards Board's "2020-21 USPAP Q&A" issued March 17, 2020, indicates that when an interior inspection would customarily be part of the scope of work, a health or other emergency condition may require an appraiser to make an extraordinary assumption about the interior of a property. USPAP permits this approach as long as the appraiser has a reasonable basis for the extraordinary assumption and as long as its use still results in a credible analysis. Both desktop appraisals and exterior-only appraisals can fulfill the requirements of USPAP as long as the analysis is credible. Interior inspections are still required, however, for certain higher-priced mortgage loans.

II. Flexibility for Appraisals of Residential Properties Underwritten to Fannie Mae and Freddie Mac Standards

Fannie Mae and Freddie Mac (hereinafter, the GSEs) have recently issued guidance providing temporary flexibility in the appraisal standards for loans that they purchase, including allowing exterior-only and desktop appraisals for certain loans. Specifically, the GSEs' guidance states that:

- For certain qualifying principal or primary residence loans, desktop appraisals and exterior-only appraisals will now be acceptable. For Freddie Mac, qualifying primary residence loans are those with up to 97 percent loan-to-value (LTV). For Fannie Mae, qualifying primary residence loans are those with an LTV within the range listed on Fannie's current eligibility matrix.
- For second homes and investment properties with 85 percent or less LTV, desktop appraisals and exterior-only appraisals will now be acceptable.
- For limited cash-out refinances where the mortgage being refinanced is owned by the GSE and the LTV is within the currently acceptable range, exterior-only appraisals will now be acceptable.

In addition, lenders may sell eligible loans without an appraisal under the appraisal waiver programs provided by the GSEs. For Freddie Mac, the appraisal waiver program for lenders is now being expanded to include certain refinancing activity, including both cash-out refinances and no cash-out refinances. Fannie Mae already allowed lenders to waive the appraisal requirement for some refinance transactions.

III. Existing Exceptions in Appraisal Regulations

The appraisal regulations issued by the OCC, FRB, and FDIC provide at least fourteen exceptions to the requirement for an appraisal by a certified or licensed appraiser. Exceptions that lenders may find the most useful during the COVID-19 emergency for real-estate related financial transactions include:

- The transaction is a residential real estate transaction with a transaction value of \$400,000 or less;
- The transaction is a commercial real estate transaction with a transaction value of \$500,000 or less;
- The transaction is a business loan that has a transaction value of \$1 million or less where the loan does not depend on the sale of, or rental income derived from, real estate as the primary source of repayment;

- The transaction involves an existing extension of credit at the lending institution, provided that:
 - There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the institution's real estate collateral protection after the transaction, even with the advancement of new monies; or
 - There is no advancement of new monies, other than funds necessary to cover reasonable closing costs;
- The transaction is wholly or partially insured or guaranteed by a U.S. government agency or U.S. government sponsored agency;
- The transaction either:
 - Qualifies for sale to a U.S. government agency or government sponsored agency; or
 - Involves a residential real estate transaction where the appraisal conforms to the Fannie Mae or Freddie Mac appraisal standards.

USPAP ADVISORY OPINION 2 (AO-2)

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of appraisal standards in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems.

SUBJECT: Inspection of Subject Property

APPLICATION: Real Property, Personal Property

THE ISSUE: For real property and personal property appraisal assignments, USPAP requires the report to contain a certification indicating whether or not the subject property was personally inspected by the appraiser(s).

- What is the purpose of inspecting the subject property?
- Does USPAP mandate a minimum level of property inspection?
- What are the disclosure obligations relating to inspection?

ADVICE FROM THE ASB ON THE ISSUE:

Purpose of an Inspection

The primary reason for inspection of a property is to gather information about the characteristics of the property that are *relevant* to its value.

While there are other ways to gather such information, in many cases the personal observations of the appraiser are the primary source of information regarding the subject property.

Minimum Level of Inspection

An inspection is not required by USPAP, but one is often conducted. While an inspection is not required, appraisal reports for real and personal property must contain a signed certification which clearly states whether the appraiser has or has not personally inspected the subject property. This is further discussed under the Disclosure Requirements section which follows.

The extent of the inspection process is an aspect of the scope of work, and may vary based on assignment conditions and the intended use of the assignment results. Every assignment is subject to conditions that limit, in one way or another, the inspection of the subject property. Regardless of the detail one

employs, it is always possible to perform an inspection that is more thorough. The appraiser's inspection commonly is limited to those things readily observable without the use of special testing or equipment.

It is the appraiser's responsibility to determine the appropriate scope of work, including the degree of inspection necessary to produce credible assignment results given the intended use. An appraiser may use any combination of property inspection, plans and specifications, asset records, photographs, property sketches, recorded media, etc., to gather information about the relevant characteristics of the subject property. There are many circumstances that influence the extent of the appraiser's property inspection. In some assignments, the client may request that the appraiser perform an exterior-only inspection from the street or perform no inspection of the subject property (i.e., a "desktop appraisal").

There are situations where inspection of the subject property is not possible; for example, if the improvements have been destroyed, removed, or not yet built. In other cases the appraiser is denied access to the property. For some assignments, it may be necessary to rely on reports prepared by other professionals. In such cases the appraiser must comply with USPAP requirements related to reliance on work done by others.

The appraiser must ensure that the degree of inspection is adequate to develop a credible appraisal. An appraiser cannot develop a credible appraisal if adequate information about the relevant characteristics of the subject property is not available. When adequate information about relevant characteristics is not available through a personal inspection or from sources the appraiser believes are reliable, an appraiser must withdraw from the assignment unless the appraiser can:

- Modify the assignment conditions to expand the scope of work to include gathering the necessary information; or
- Use an extraordinary assumption about such information, if credible assignment results can still be developed.

An inspection conducted by an appraiser is usually not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, a licensed home inspector, a Renaissance art expert). An appraiser's observations must, at the minimum, be thorough enough to properly develop the appraisal and adequately report the relevant characteristics. Regardless of how the information is gathered, it must be sufficient for the development of relevant analyses, such as highest and best use, the application of the approaches, etc.

Disclosure Requirements

Appraisal reports for real and personal property must contain a signed certification indicating whether the appraiser has or has not personally inspected the subject property. All appraisal reports must also contain sufficient information to enable the intended users to understand the extent of the inspection that was performed.

Because of the infinite variability of inspections, it is important that the appraisal report clearly communicates the degree of the inspection in order for the report to be meaningful.

Illustrations

1. I have been asked to appraise a single-family home based on an exterior-only inspection from the street. What are my development and reporting obligations?

If an appraiser's observations are limited to an exterior-only inspection from the street, then the appraiser must gather information on relevant characteristics from other data sources and/or use extraordinary assumptions. The data sources used are often the same sources used to gather information on comparable sales. For example, the size of the property might be obtained from public records, and other information might be obtained from interior photographs included in a listing of the property for sale, or information from the appraiser's own files.

The report must disclose the extent of the property inspection in a manner that is clear to the intended users. For example, in this case it would probably be insufficient to merely state that the property was inspected. The report must make clear that the appraisal was based on an "exterior only" inspection from the street and state the sources used to identify the relevant characteristics other than those observed during the inspection.

2. A dealer has asked me to appraise a Rolex watch. I will not be provided access to the piece. However, I have been given the serial number, a copy of an authenticity certificate and several recent photographs of the watch. Can I develop an appraisal based solely on this information?

Yes, if the data provided contains sufficient information about the subject's relevant characteristics, one could develop an appraisal based on the information described in the illustration. Without directly inspecting the watch, however, the information provided is "assumed" to be accurate. Because some of these assumptions will have a significant effect on the assignment results, the assignment will involve the use of extraordinary assumptions and

require proper disclosure. The scope of work in the assignment, including the degree of the inspection, must provide results that are credible in the context of the intended use.

3. I have been contacted by a property owner who is being transferred by his company to another city. The owner indicated that while he might want a “detailed appraisal” later, right now he only needs a rough idea of the value of the residence to begin negotiations related to the relocation. The owner has asked me to perform a “desktop” appraisal (i.e., an appraisal with no inspection of the property). I believe that, given this intended use, credible assignment results can be developed without an inspection. Is this permitted under USPAP?

Yes, this is permitted if sufficient information regarding the relevant characteristics of the property is available. Such information could be obtained from public records, previous listings of the property for sale, appraiser’s files, et c. If use of extraordinary assumptions related to various relevant characteristics is necessary, then one must comply with the requirements for their use.

2020-21 USPAP Q&A

Issued: March 17, 2020

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

2020-01: APPRAISAL DEVELOPMENT – INSPECTIONS **Interior Inspections during a National Health Emergency**

Question:

Are appraisers required to perform interior inspections of real property during a national health emergency?

Response:

Appraisers and users of appraisal services should remember that USPAP does not require an inspection unless necessary to produce credible assignment results. (Please refer to USPAP Standards Rule 1-2, Standards Rule 2-2, and Advisory Opinion 2 for further guidance.)

When an interior inspection would customarily be part of the scope of work, a health or other emergency condition may require an appraiser to make an extraordinary assumption about the interior of a property. This is permitted by USPAP as long as the appraiser has a reasonable basis for the extraordinary assumption and as long as its use still results in a credible analysis.

Neither the Appraisal Standards Board (ASB) nor The Appraisal Foundation has the authority to suspend interior inspections. Appraisers are encouraged to communicate with their clients and follow public health recommendations (such as those issued by the CDC and World Health Organization), as well as national, state, and local government orders when performing appraisal assignments.

The ASB and The Appraisal Foundation encourage lenders, regulators, government agencies and Government Sponsored Enterprises (GSEs) to

consider suspending or relaxing requirements for interior inspections during a national health emergency.

The USPAP Q&A is posted on The Appraisal Foundation website: (www.appraisalfoundation.org). The ASB compiles the USPAP Q&A into the USPAP Frequently Asked Questions (USPAP FAQ) for publication with each edition of USPAP. In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the “Foundation Store” page on The Appraisal Foundation website.

For further information regarding USPAP Q&A, please contact: John S. Brennan, Vice President, Appraisal Issues, The Appraisal Foundation 1155 15th Street, NW, Suite 1111, Washington, DC 20005, phone: (202) 624-3044, (202) 347-7727 fax, john@appraisalfoundation.org

Interagency Interim Final Real Estate Appraisal Rule

Published in *Federal Register* April 17, 2020

The interim final rule is effective **April 17, 2020** through **December 31, 2020**.
Comments due June 1, 2020

SUMMARY:

The Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), and Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) have adopted an interim final rule to amend the agencies' regulations requiring appraisals of real estate for certain transactions. The interim final rule defers the requirement to obtain an appraisal or evaluation for up to 120 days following the closing of a transaction for certain residential and commercial real estate transactions, excluding transactions for acquisition, development, and construction of real estate. Regulated institutions should make best efforts to obtain a credible valuation of real property collateral before the loan closing, and otherwise underwrite loans consistent with the principles in the agencies' Standards for Safety and Soundness and Real Estate Lending Standards. The agencies are providing the relief to allow regulated institutions to expeditiously extend liquidity to creditworthy households and businesses in light of recent strains on the U.S. economy as a result of the National Emergency declared in connection with coronavirus disease 2019 (COVID-19).

BACKGROUND:

Impact of COVID-19 on appraisals and evaluations. Due to the impact of COVID-19, businesses and individuals have a heightened need for additional liquidity. Being able to quickly access equity in real estate could help address this need. However, government restrictions on non-essential movement and health and safety advisories in response to the National Emergency declared in connection with COVID-19, including those relating to social distancing, have led to complications with respect to performing and completing real property appraisals and evaluations needed to comply with federal appraisal regulations. As a result, some borrowers may experience delays in obtaining funds needed to meet immediate and near-term financial needs.

Title XI and the appraisal regulations. Title XI directs each federal financial institutions' regulatory agency to publish appraisal regulations for federally related transactions within its jurisdiction. The purpose of Title XI is to protect federal financial and public policy interests in real estate-related transactions by requiring that real estate appraisals used in connection with federally related transactions (Title XI appraisals) are performed in writing, in accordance with

uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

Title XI directs the agencies to prescribe appropriate standards for Title XI appraisals under the agencies' respective jurisdictions. At a minimum, the statute provides that a Title XI appraisal must be: (1) performed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP); (2) a written appraisal, as defined by the statute; and (3) subject to appropriate review for compliance with USPAP. While appraisals are ordinarily completed before a lender and borrower close a real estate transaction, there is no specific requirement in USPAP that appraisals be completed at a specific time relative to the closing of a transaction.

All federally related transactions must have Title XI appraisals. Title XI defines a federally related transaction as a real estate-related financial transaction that the agencies or a financial institution regulated by the agencies engages in or contracts for, that requires the services of an appraiser. The agencies have authority to determine those real estate-related financial transactions that do not require the services of an appraiser and thus are not required to have Title XI appraisals. The agencies have exercised this authority by exempting certain categories of real estate-related financial transactions from the agencies' appraisal requirements.

The agencies have used their safety and soundness authority to require evaluations for a subset of transactions for which an appraisal is not required. Under the appraisal regulations, for these transactions, financial institutions that are subject to the agencies' appraisal regulations (regulated institutions) must obtain an appropriate evaluation of real property collateral that is consistent with safe and sound banking practices.

Authority to defer appraisals and evaluations. In general, the agencies require that Title XI appraisals for federally related transactions occur prior to closing of a federally related transaction. The Interagency Guidelines on Appraisals and Evaluations provide similar information about evaluations. Under the interim final rule, deferrals of appraisals and evaluations will allow for expeditious access to credit. The deferrals, which will be temporary, are offered in response to a National Emergency. Regulated institutions that defer receipt of an appraisal or evaluation are still expected to conduct their lending activity consistent with the underwriting principles in the agencies' Standards for Safety and Soundness and Real Estate Lending Standards that focus on the ability of a borrower to repay a loan and other relevant laws and regulations. These deferrals are not an exercise of the agencies' waiver authority, because appraisals and evaluations are being deferred, not waived. The deferrals are also not a waiver of USPAP requirements, given that (1) USPAP does not address the completion of an appraisal assignment with the timing of a lending decision; and (2) the deferred appraisal must be conducted in compliance with USPAP.

The deferral of evaluations reflects the same considerations relating to the impact of COVID-19 as the deferral of appraisals. The agencies require evaluations for certain exempt transactions as a matter of safety and soundness. Evaluations do not need to comply with USPAP but must be sufficiently robust to support a valuation conclusion. An evaluation can be less complex than an appraisal and usually takes less time to complete than an appraisal, but it also commonly involves physical property inspections. For these reasons, the agencies also are using their safety and soundness authority to allow for deferral of evaluations.

By the end of the deferral period, regulated institutions must obtain appraisals or evaluations that are consistent with safe and sound banking practices, as required by the agencies' appraisal regulations.

SUMMARY OF THE INTERIM FINAL RULE:

The interim final rule allows a temporary deferral of the requirements for appraisals and evaluations under the agencies' appraisal regulations. The deferrals apply to both residential and commercial real estate-related financial transactions, excluding transactions for acquisition, development, and construction of real estate. The agencies are excluding transactions for acquisition, development, and construction of real estate because these loans present heightened risks not associated with financing existing real estate.

Under the interim final rule, regulated institutions may close a real estate loan without a contemporaneous appraisal or evaluation, subject to a requirement that institutions obtain the appraisal or evaluation, as would have been required under the appraisal regulations without the deferral, within a grace period of 120 days after closing of the transaction. While appraisals and evaluations can be deferred, the agencies expect institutions to use best efforts and available information to develop a well-informed estimate of the collateral value of the subject property.

For purposes of risk-weighting of residential mortgage exposures, an institution's prudent underwriting estimation of the collateral value of the subject property will be considered to meet the agencies' appraisal and evaluation requirements during the deferral period. In addition, the agencies continue to expect regulated institutions to adhere to internal underwriting standards for assessing borrowers' creditworthiness and repayment capacity, and to develop procedures for estimating the collateral's value for the purposes of extending or refinancing credit.

Transactions for acquisition, development, and construction of real estate are being excluded because repayment of those transactions is generally dependent on the completion or sale of the property being held as collateral as opposed to

repayment generated by existing collateral or the borrower. The agencies also expect institutions to develop an appropriate risk mitigation strategy if the appraisal or evaluation ultimately reveals a market value significantly lower than the expected market value. An institution's risk mitigation strategy should consider safety and soundness risk to the institution, balanced with mitigation of financial harm to COVID-19-affected borrowers. The temporary provision permitting regulated institutions to defer an appraisal or evaluation for eligible transactions will expire on December 31, 2020 (a transaction closed on or before December 31, 2020 is eligible for a deferral), unless extended by the agencies. The agencies believe that the limited timeframe for the deferral will in some respects help to manage potential risk by balancing the need for immediate relief due to the National Emergency with safety and soundness concerns for risk to lenders.

REVISIONS TO TITLE XI APPRAISAL REGULATIONS:

The interim final rule adds a new, temporary provision to the appraisal regulations that provides a 120-day deferral of appraisal and evaluation requirements for all transactions secured by commercial or residential real estate during the COVID-19 pandemic, excluding transactions for acquisition, development, and construction of real estate. The interim final rule does not revise any of the existing appraisal exceptions or any other requirements with respect to the performance of evaluations.

The interim final rule will allow regulated institutions to quickly provide liquidity to owners of commercial and residential property. The temporary provision allowing regulated institutions to defer appraisals or evaluations for covered transactions will expire on December 31, 2020, unless extended by the agencies.

Office of the Comptroller of the Currency 12 CFR Chapter I

For the reasons set forth in the joint preamble, the OCC amends part 34 of chapter I of title 12 of the Code of Federal Regulations as follows:

PART 34—REAL ESTATE LENDING AND APPRAISALS

1. The authority citation for part 34 continues to read as follows:

Authority: 12 U.S.C. 1, 25b, 29, 93a, 371, 1462a, 1463, 1464, 1465, 1701j-3, 1828(o), 3331 et seq., 5101 et seq., and 5412(b)(2)(B), and 15 U.S.C. 1639h.

2. Section 34.43 is amended by adding paragraph (f) to read as follows:

§ 34.43 Appraisals required; transactions requiring a State certified or licensed appraiser.

(f) Deferrals of appraisals and evaluations for certain residential and commercial transactions—(1) 120-day grace period. The completion of appraisals and evaluations required under paragraphs (a) and (b) of this section may be deferred up to 120 days from the date of closing.

(2) Covered transactions. The deferrals authorized under paragraph (f)(1) of this section apply to all residential and commercial real estate-secured transactions, excluding transactions for acquisition, development, and construction of real estate.

(3) Sunset. The appraisal and evaluation deferrals authorized by this paragraph (f) will expire for transactions closing after December 31, 2020.

FEDERAL RESERVE BOARD

12 CFR Chapter II

For the reasons set forth in the joint preamble, the Board amends part 225 of chapter II of title 12 of the Code of Federal Regulations as follows:

PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

3. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(l), 3106, 3108, 3310, 3331 et seq., 31206, 31207, and 31209; 15 U.S.C. 1681s, 1681w, 6801 and 6805.

4. Section 225.63 is amended by adding paragraph (f) to read as follows:

§ 225.63 Appraisals required; transactions requiring a State certified or licensed appraiser.

(f) Deferrals of appraisals and evaluations for certain residential and commercial transactions—(1) 120-day grace period. The completion of appraisals and evaluations required under paragraphs (a) and (b) of this section may be deferred up to 120 days from the date of closing.

(2) Covered transactions. The deferrals authorized under paragraph (f)(1) of this section apply to all residential and commercial real estate-secured transactions, excluding transactions for acquisition, development, and construction of real estate.

(3) Sunset. The appraisal and evaluation deferrals authorized by this paragraph (f) will expire for transactions closing after December 31, 2020.

FEDERAL DEPOSIT INSURANCE CORPORATION
12 CFR Chapter III

For the reasons set forth in the joint preamble, the FDIC amends part 323 of chapter III of title 12 of the Code of Federal Regulations as follows:

PART 323—APPRAISALS

5. The authority citation for part 323 continues to read as follows:

Authority: 12 U.S.C. 1818, 1819(a) (“Seventh” and “Tenth”), 1831p-1 and 3331 et seq.

6. Section 323.3 is amended by adding paragraph (g) to read as follows:

§ 323.3 Appraisals required; transactions requiring a State certified or licensed appraiser.

(g) Deferrals of appraisals and evaluations for certain residential and commercial transactions—(1) 120-day grace period. The completion of appraisals and evaluations required under paragraphs (a) and (b) of this section may be deferred up to 120 days from the date of closing.

(2) Covered transactions. The deferrals authorized under paragraph (g)(1) of this section apply to all residential and commercial real estate-secured transactions, excluding transactions for acquisition, development, and construction of real estate.

(3) Sunset. The appraisal and evaluation deferrals authorized by this paragraph (g) will expire for transactions closing after December 31, 2020.



Lender Letter (LL-2020-04)

Updated Apr. 14, 2020

Mar. 31, 2020

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](#), and [Frequently Asked Questions](#).

Additions to Lender Letter on Apr. 14, 2020

- [Flexibilities for condominium project reviews](#): offering additional guidance and temporary flexibilities for project eligibility reviews on condo projects.
- [Virtual inspections for appraisals and renovation loans](#): providing clarity on when and how to use virtual inspection methods

Additions to Lender Letter on Mar. 31, 2020, updated Apr. 14, 2020

- [Flexibilities for new construction loans](#): adding additional options for documentation including the use of two new certification templates **UPDATED Apr. 14, 2020** to add reference to LTV ratio requirements for appraisals
- [Flexibilities for HomeStyle® Renovation loans](#): providing options for inspection requirements for draws **NEW Apr. 14, 2020** to include information for loans in forbearance

Lender Letter content published Mar. 23, 2020, updated Mar. 31, 2020, Apr. 14, 2020

- [Temporary appraisal requirement flexibilities](#): allowing exterior-only inspection appraisals or desktop appraisals **UPDATED Mar. 31, 2020** to remove order of preference for permissible appraisals **NEW Apr. 14, 2020** to include use of lender variances and temporary appraisal flexibilities
- [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 limiting 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 **UPDATED Apr. 14, 2020** to clarify only specific words may be used
- [Identification of a Fannie Mae loan](#): reminding lenders about our Loan Lookup tool to identify Fannie Mae-owned loans **NEW Mar. 31, 2020** to include Desktop Underwriter information
- [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 **UPDATED Mar. 31, 2020** to exclude HomeStyle Renovation loans



- [HomeStyle Renovation and HomeStyle Energy requirements](#): removed and replaced in its entirety by [Mar. 31, 2020](#) version

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.

Flexibilities for condominium project review

We are offering additional guidance and temporary flexibilities for project eligibility reviews on condo projects.

Waiver of project review

We are extending project review waiver flexibilities for loans with LTV ratios greater than 80% and up to 90%. This flexibility applies to Fannie Mae-owned, limited cash-out refinance transactions for owner-occupied condo units only. Second homes and investment transactions are excluded. When applying this flexibility, lenders must confirm the project meets the following, existing requirements:

- the litigation requirements described in *Selling Guide* [B4-2.1-03](#), Ineligible Projects, and
- all policies in *Selling Guide* [B4-2.1-02](#), Waiver of Project Review, for all loans with LTV ratios greater than 80% using the waiver of review for Fannie Mae-owned limited cash-out refinance transactions.

Lenders must provide Project Type Code V in the loan delivery data file for these transactions. The use of other Project Type Codes may result in fatal edits at loan delivery.

Project documents used in project reviews

Lenders have reported some HOAs are experiencing a delay in ratifying their 2020 budgets. When a budget review is required on an established project, we will accept the budget from the 2019 fiscal year if the current year's budget has not yet been ratified due to issues related to COVID-19. To utilize this flexibility, the lender must confirm the project currently meets the HOA dues delinquency requirements in *Selling Guide* [B4-2.2-02](#), Full Review Process. All other project standards requirements in *Selling Guide* B4-2, Project Standards, continue to apply.

NOTE: *New projects are excluded from this flexibility.*

Due to the impact of the COVID-19 pandemic on many businesses, we understand that lenders are having increased difficulties in obtaining project documents from some HOAs and property managers. Lenders may use other sources of condo project data to complete their project reviews including, but not limited to, appraisals, MLS records, plat map and site surveys, public records, state laws or local ordinances, and tax searches. Additionally, there are various vendor products available that provide project documents or information regarding project eligibility.

Some information and documents, such as the project's current budget, may only be available from the HOA or property manager. We recognize the lender may be unable to obtain this information immediately while the operations are closed for extended periods. We are reminding our lenders that if they previously completed a project review for an established condo project, that project review may be used for additional condo unit loans in the same condo project for up to one year (measured to the note date of the subsequent loans). For new condo projects, the timeframe is 180 days prior to the note date. Additionally, some lenders have found it helpful to use Fannie Mae's Condo Project Manager™ (CPM™) to help track and communicate project review status and review dates within their organizations.

NOTE: *Lenders are responsible for obtaining mortgage insurance for all loans using these flexibilities when the loan's LTV ratio is above 80%.*

Virtual inspections for appraisals and renovation loans

Appraisers may use virtual inspection methods to augment the data and imagery that is used for either a desktop appraisal or an exterior-only appraisal. All traditional appraisals require the appraiser to perform a complete onsite interior and exterior inspection of the property. A virtual inspection cannot be used as a substitute for the onsite interior and exterior inspection for a traditional



appraisal. Additionally, an onsite interior and exterior inspection is required for the *Appraisal Update and/or Completion Report* (Form 1004D) used to confirm completion of renovation for HomeStyle Renovation loans. Virtual inspections using video and photographs provided by the borrower or contractor can be used to evidence renovation progress to disburse additional renovation funds as described [below](#).

The following content was published prior to Apr. 14, 2020

Flexibilities for new construction loans **UPDATED April 14, 2020**

For new construction properties where the appraisal is “subject to completion per plans and specifications,” and also when the property is 100% complete but an interior and exterior inspection appraisal cannot be completed, we will permit a desktop appraisal on the forms identified in the following table. Lenders must adhere to the LTV ratio requirements in [Temporary appraisal requirement flexibilities](#), including the requirement that second homes with LTV ratios above 85% require a traditional appraisal. These requirements apply to purchase transactions only and exclude all construction-to-permanent loans.

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)
Two- to four-unit property	<i>Small Residential Income Property Appraisal Report</i> (Form 1025)
Manufactured home	<i>Manufactured Home Appraisal Report</i> (Form 1004C)

To accommodate the desktop appraisal on the existing Fannie Mae forms, the [revised scope of work, statement of assumptions and limiting conditions, and certifications](#) must accompany the form. Additionally, as noted [below](#), the appraiser must identify a desktop appraisal was performed by populating the *Map Reference* field on the appraisal with “desktop.”

Documentation requirements for new construction loans

If construction of the property has not yet begun or is partially complete, and the appraisal report will be completed “subject to completion per plans and specifications,” the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
 - If construction has not yet begun, a photograph of the site and down the street in both directions
 - If construction is partially complete, a photograph is required of the following:
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (i.e., a photograph down the street in both directions)
 - The following interior photos are required when construction is at a stage in which they are available
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
- A copy of the complete, ratified sales contract, and all addenda



If construction of the property is 100% complete, and the appraisal report will be completed “as is,” the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (i.e., a photograph down the street in both directions)
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
- A copy of the complete, ratified sales contract, and all addenda

Builder certification

The lender must obtain a signed [Builder Certification](#) attesting that the information provided is true and correct. This certification must be included in the loan file.

Completion reports for new construction properties

For new construction properties where the appraisal report was completed “subject to completion per plans and specifications,” if the lender is unable to obtain a completed *Appraisal Update and/or Completion Report* (Form 1004D) as a result of COVID-19 related issues, we will accept the [Completion of Construction Certification](#).

Flexibilities for HomeStyle® Renovation loans

We are providing flexibility for inspection requirements for draws for HomeStyle Renovation loans in process. Effective immediately, we will allow lenders and servicers to use a [Completion of Construction Certification](#) indicating the planned work was completed per the schedule on the renovation or installation contract (in lieu of an inspection) to advance additional renovation funds. This letter must be accompanied by supporting evidence such as photographs, site videos, or other proof of completion, like paid invoices. All evidence, including photographs and site videos, must be of sufficient quality and scope for the lender or servicer to confirm the required work was sufficiently completed as outlined in the renovation contract. All evidence must be maintained in the renovation loan file. Lenders may use this flexibility when they are unable to have an inspector complete the onsite inspection due to COVID-19 related issues.

Additionally, we remind lenders that may be having difficulty having renovation completed within the negotiated timeframe that they can contact Fannie Mae to make alternative arrangements for the completion of the project. We require inspections and other documentation to review and approve requested extensions, but we will work with lenders on a case by case basis to determine appropriate alternatives.

We remind lenders that all HomeStyle Renovation loans require a traditional appraisal during the underwriting process. The desktop and exterior-only appraisal flexibilities described [below](#) may not be used for these loans. We also continue to require lenders obtain an *Appraisal Update and/or Completion Report* (Form 1004D) when the work is completed. The Form 1004D, along with other documentation described in *Selling Guide B5-3.2-01*, HomeStyle Renovation Mortgages, is required to remove recourse from the renovation loan.

Lastly, we understand that some lenders may be experiencing delays in obtaining the final title policy or a title policy update to show the removal of all materialman’s liens. We continue to work on these issues and will provide further guidance at a later date.

HomeStyle Renovation loans in forbearance **NEW Apr. 14, 2020**

We will allow renovation draws while a HomeStyle Renovation loan is in a forbearance status. All program requirements, including the flexibilities applicable to HomeStyle Renovation loans in this lender letter, continue to apply.



The following content was published Mar. 23, 2020

Temporary appraisal requirement flexibilities **UPDATED Mar. 31, 2020**

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
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 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.

Use of lender variances and temporary appraisal flexibilities **NEW Apr. 14, 2020**

The appraisal flexibilities announced in this Lender Letter may be combined with existing lender variances unless Fannie Mae notifies the lender that it may not combine negotiated terms with these flexibilities.

Regardless of specific lender variances, only Fannie Mae-owned, limited cash-out refinance transactions being sold to Fannie Mae and purchase transactions are eligible for the appraisal flexibility shown in the following table:

Loan purpose	LTV ratio	Occupancy	Ownership of loan being refinanced	Permissible appraisals
Purchase transaction, including new construction properties*	Up to 97%	Principal residence	N/A	Traditional appraisal Desktop appraisal Exterior-only appraisal
	≤ 85%	Second homes and investment properties		Traditional appraisal Desktop appraisal Exterior-only appraisal



Loan purpose	LTV ratio	Occupancy	Ownership of loan being refinanced	Permissible appraisals
Limited cash-out refinance	As permitted in the Selling Guide	All	Fannie Mae-owned	Traditional appraisal Exterior-only appraisal

*Per guidance above, new construction loans are not eligible for exterior-only appraisals.

A traditional appraisal with an interior and exterior inspections are required for all of the following:

- second home purchase transactions with LTV ratios > 85%,
- limited cash-out refinance transactions when the loan being refinanced is not owned by us, and
- cash-out refinance transactions

All other requirements for the use of temporary flexibilities included in this lender letter apply.

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 (Form 1004)</i>
Condominium unit	<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>
Cooperative unit	<i>Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)</i>
Two- to four-unit property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

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 utilizes 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- to four-unit properties and manufactured homes, we will accept an exterior appraisal scope of work completed using the applicable forms listed below.

Property Type	Acceptable Appraisal Form
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- to 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

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 **UPDATED Apr. 14, 2020**

We are clarifying that the Map Reference field on the Appraisal Report for appraisals that use the flexibilities provided in this lender letter may only contain the word “desktop” or “exterior.” No other words or phrases may be used or included. The Map Reference field should reflect the appraisal type agreed to with the acceptance of the assignment and the minimum scope of work required for the assignment. The appraiser is responsible for determining what is the adequate scope of work for any assignment and may choose to expand the scope of work beyond the minimum required.

Identification of a Fannie Mae loan

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.

Updates to Desktop Underwriter® (DU®) **NEW Mar. 31, 2020**

DU will be updated in a future release to identify when Fannie Mae owns an existing loan on limited cash-out refinance transactions. For a loan to be identified as an existing Fannie Mae loan, the subject property address and a Social Security number for at least one of the borrowers must match an existing loan in our portfolio.

Appraisal waivers

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](#), Appraisal Waivers). 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

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) **UPDATED Mar. 31, 2020**

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, (excluding HomeStyle® Renovation 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.

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

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 \$
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 CHOICERenovationSM and GreenCHOICE MortgagesSM, 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/Service providers 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/Service providers 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/Service provider must follow, but in most instances such approvals are forthcoming within a week after Seller/Service provider 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/Service provider business continuity plan

Freddie Mac expects Sellers and Service providers to maintain a business continuity plan in accordance with the requirements in Section 1302.3. Seller and Service provider 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 Service providers 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

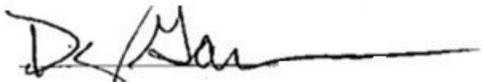
We encourage Sellers to review the following resources:

- 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

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.

MPF Announcement:

2020-20

Date:

April 17, 2020

Alert:

Clarification

New Policy

Policy Update

Reminder

Training Information

Audience:

Compliance/Legal

Program Management

Origination

Quality Control

Servicing

Underwriting

Product:

MPF Direct

MPF Government MBS

MPF Traditional

MPF Xtra[®]

Effective Date:

Immediately *(unless otherwise noted)*

Important MPF Xtra Seller/Servicer Information on Impacts of COVID-19

On April 14, 2020, Fannie Mae issued an update to Lender Letter LL-2020-04, communicating temporary policies previously announced, to enable servicers to better assist borrowers impacted by COVID-19. The policies in this Lender Letter are effective immediately and are effective until Fannie Mae provides further notice, unless otherwise stated.

[Fannie Mae Lender Letter LL-2020-04 – Impact of COVID-19 on Appraisals](#)

Temporary Appraisal Policies

- Flexibilities for project eligibility reviews on condo projects.
- Clarified when it is acceptable to utilize virtual inspections for appraisals.
- Flexibilities for new construction loans, including documentation requirements, completion reports for new construction properties, and builder certifications.
- Additional form instructions 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.
- Temporary appraisal requirement flexibilities including:
 - Desktop appraisals-for purchase money transactions when an interior and exterior appraisal is not available, PFIs are encouraged to obtain a desktop appraisal rather than an exterior only appraisal.

Reference

[Fannie Mae’s COVID-19 webpage.](#)

[Fannie Mae Lender Letter LL-2020-04 – Impact of COVID-19 on Appraisals](#)

[Fannie Mae Lender Letter \(LL-2020-02\), Impact of COVID-19](#)

[Fannie Mae Lender Letter \(LL-2020-03\), Impact of COVID-19](#)

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

Visit the MPF Website to review and register for upcoming complimentary [MPF Webinars](#).

Follow Us

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- Exterior only appraisals- may be obtained in lieu of an interior and exterior inspection appraisal for the following transactions: Purchase money loans and Term and rate refinances.
- To accommodate the temporary appraisal policies in place, Fannie Mae developed appraisal documents that include modified language to be used with desktop appraisal reports and exterior only appraisal reports.
- Reminder that PFIs are encouraged to accept appraisal waiver offers when eligible and provided through DU.
- Additional accommodations for loans which require an Appraisal Update and/or Completion Report (1004D) but are unable to obtain due to issues related to COVID-19.
- Extended deadline for submission of financial statements and reports.
- Forbearance plan terms for borrowers impacted by COVID-19.
- Guidance for Servicers when evaluating the borrower for a payment deferral or mortgage loan modification after a forbearance plan.

Fannie Mae Lender Letter (LL-2020-03). Impact of COVID-19 on Originations providing the following temporary policies:

- Modified age of income and asset documentation requirements from four months to two months.
- Reduced the requirement to verify the existence of self-employed borrower from within 120 calendar days prior to the note date to 10 business days of the note date (or after closing but prior to delivery).
- Guidance provided for market based assets when used as down payment or closing costs, and for reserves.
- Additional flexibilities with regard to Powers of Attorneys.
- Expansion of the use of remote online notarization.
- Accommodations to existing quality control requirements.
- Providing relief for obtaining verbal verification of employments by permitting allowing bank statements or emails form employer in lieu of verbal verification.
- Reminding PFIs of the importance of ensuring sustainable homeownership for borrowers.
- Extended the deadline for submission of financial statements and reports.
- Reminder of the policies for notes, electronic records, and signatures.
- Reminder to PFIs of the acceptable title insurance policy forms and coverage requirements.
- Reminder to PFIs/Servicers of obligation to have business continuity/disaster recovery programs.

PFIs and Servicers of **MPF XTRA** must follow the relief policies and guidance issued by Fannie Mae, including the announcements below and by visiting [Fannie Mae's COVID-19 webpage](#).

Fannie Mae Lender Letter (LL-2020-02). Impact of COVID-19 on Servicing including the following policies:

- Complying with the law: including the Coronavirus Aid, Relief, and Economic Security Act (CARES) including:
 - Suspending foreclosure-related activities and certain bankruptcy requirements in accordance with the requirements of the CARES Act.
 - Complying with the credit reporting requirements of the Fair Credit Reporting Act ("FCRA"), as amended by the CARES Act for borrowers affected by the COVID-19.
- Reminding Servicers of acceptable methods in attempting to achieve quality right party contact (QRPC) for borrowers impacted by COVID-19 for a forbearance plan.
- Servicer's responsibilities when reporting a reason for delinquency.
- Providing flexibility with regards to property inspections and preservation in light of COVID-19 concerns.

In addition, PFIs and Servicers originating, delivering or servicing:

- MPF Traditional (Conventional) loans must follow the policies and guidance recently issued by the MPF Program. Please visit the MPF Website to view recently published [MPF Announcements](#).
- MPF Government loans and MPF Government MBS loans, must follow policies and guidance issued by the applicable Government Agencies.
- MPF Direct loans, must follow policies and guidance issued by the product's investor, Redwood Trust.

To gain a full understanding of these topics, PFIs and Servicers should review the entire Fannie Mae Lender Letter plus any applicable Fannie Mae Guide chapters, forms, or exhibits noted in the announcement.



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

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

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

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.

Continued on next page

Mortgagee Letter 2020-05

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. HUD will consider the feedback in determining the need for future updates.

Affected Programs

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

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.

Mortgagee Letter 2020-05

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.

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.
-

Mortgagee Letter 2020-05

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
-

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.

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.

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.

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.

Mortgagee Letter 2020-05

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.

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.

Questions For additional information on this ML, please visit 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.

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

Valuation Practices during COVID-19 (Updated)

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.

Due to the rapidly changing environment caused by COVID-19 to the mortgage lending industry as well as feedback from multiple sources, Circular 26-20-11, *Valuation Practices during COVID-19*, is rescinded effective the date of this Circular. This Circular provides updated guidance and instructions for valuation and appraising for all 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 where the application date was made 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 EAs 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 for a Purchase Transaction (vacant property). The interior inspection is allowed, when the appraiser poses no harm to themselves or others.

6. Exterior-Only Appraisal. This report option with enhanced assignment conditions will be completed on the FNMA 2055/1075 form. For manufactured homes and multi-unit (2-to-4 unit) properties, appraisers will use the 1004C or 1025 form. Appraisers are to boldly 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 one and a half times the maximum 2020 Freddie Mac Conforming Loan Limit (CCL) for a one-unit limit for the county or county-equivalent area. The lender should not request an Exterior-Only appraisal if the loan amount will be more than one and a half times the maximum 2020 CCL limit. The appraiser is in control of the Scope of Work and they type of report will be used based upon safety. The 2020 CCL limits are posted at: https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2020_HERA-BASED_FINAL_FLAT.pdf.

a. Purchase or Refinance transactions. The appraiser is to provide an Exterior Only appraisal with enhanced assignment conditions when the appraiser’s assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine. Appraisers should refer to their state or local authorities to determine if they are deemed an essential part of the financial transaction for mortgage lending. The appraiser must make every effort to complete the enhanced assignment conditions listed below or document in the narrative why one or more conditions could not be met:

(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. Comparables will still be viewed and photos provided when possible.

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 should not request a Desktop Appraisal if the loan amount will be more than the maximum 2020 CCL limit.

b. Desktop appraisals will only be conducted when the appraiser's assigned geographic jurisdiction has restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or not deemed an essential part of the financial transaction for mortgage lending. 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 advise the Regional Loan Center (RLC) to 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 all communication between parties.

(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 7 percent from the appraiser's opinion of value or \$10,000 whichever is greater. An ROV may be requested when the value requested is greater than stated but the ROV amount must fall within the range of adjusted values in the sales grid of the appraisal or overwhelming evidence of appraisal error that impacts 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 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. Alteration and Repair Loans. Appraisers are to suspend any alteration 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. This section applies to any and all loans regardless of the loan application date.

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).

c. When a purchase transaction appraisal has found repairs, the lender has the option to close the loan when the Veteran accepts responsibility to complete the repairs within 180 days of the closing of the loan. This time may be extended if warranted. The home must be habitable by conventional standards. Reinspection will be required at that time at the posted fees.

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".

a. Purchase Transactions: If there is no known or visible evidence of termite infestation present, the seller and realtor must provide a certification to that fact and the Veteran must acknowledge that no inspection was completed. VA recommends the Veteran to complete an inspection once the national emergency has ended. If there is known or visible evidence of termite infestation, a clear termite report must be provided within one year of close of escrow.

b. Cash-Out Refinance Transactions: The Veteran can provide a certificate of fact if there is no known or visible evidence of termite infestation present. 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. Any clear and obvious minimum property requirement (MPR) related issues that would render the home uninhabitable will not be able to be issued a guaranty till all repairs are completed. 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.

(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. The RLC will temporarily take you out of rotation for new appraisal assignments.

(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. 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 additional inspections to be added to the appraisal within one year of completing an Exterior-Only or Desktop appraisal under the same fee payment. VA may require this for complete sketches, interior photos, etc. Any MPR re-inspections on the exterior will be charged at the posted fees.

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. Circular 26-20-11 is rescinded effective immediately.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Director
Loan Guaranty Service

MODEL INTERIM COVID-19 RELATED APPRAISAL AND EVALUATION POLICY

The following interim policy was adopted by the [BANK NAME] Board of Directors at a [regular] meeting of the Board on [DATE].

This policy supplements the bank's existing Standards for Safety and Soundness, Real Estate Lending Standards, or Appraisal policies. This interim policy will sunset without further action by the Board upon the expiration date or termination of any applicable investor requirement or federal banking rule.

The [BANK NAME] recognizes that on March 13, 2020, the president declared a national emergency due to the COVID-19 outbreak.

The [BANK NAME] recognizes that on March 24, 2020, Governor Evers issued executive order #12 ordering all non-essential businesses to close and for the general public to remain safe at home. The order defined what type of business was to be considered "essential". Included in the definition were financial institutions and other professional services, such as lawyers, accountants, appraisers, home inspectors, and title services.

The [BANK NAME] recognizes that the declared national emergency and state executive order have made appraisals and evaluations of residential and commercial properties have been difficult to schedule or complete. Appraisal companies have been hesitant in sending staff into properties for assessment and property owners are equally reluctant to allow appraisers into properties for review. This has resulted in restrictive or reduced access to appraisals and evaluations of residential and commercial properties conducted by appraisers, appraisal management companies and home inspectors.

The [BANK NAME] recognizes that on April 14, 2020, the federal banking agencies jointly issued an *Interagency Statement on Appraisals and Evaluations for Real Estate Related Financial Transactions Affected by the Coronavirus*. The statement was meant to help address challenges relating to appraisals and evaluations for real estate-related financial transactions affected by COVID-19.

The [BANK NAME] recognizes that on April 17, 2020 the banking agencies published in the *Federal Register* an interim final rule to allow for the deferral of certain appraisals and evaluations for up to 120 days after closing of residential or commercial real estate loan transactions. Transactions involving acquisition, development, and construction of real estate are excluded from the interim rule. The temporary provisions are set to expire December 31, 2020, unless extended by the federal banking agencies.

In light of that which is outlined above, the [BANK NAME] supplements its existing [Standards for Safety and Soundness Policy, Real Estate Appraisal and Evaluation Policy, Appraisal Policy] of [DATE BANK'S

EXISTING POLICY WAS PREVIOUSLY ADOPTED] with this Interim COVID-19 Related Appraisal and Evaluation Policy to address compliance with any temporary applicable investor rule, the April 14th Interagency Statement, and the April 17th interagency interim final rule.

COVID-19 Appraisal and Evaluation Coordinator and Team/Responsibilities

The [BANK NAME]'s COVID-19 appraisal and evaluation coordinator and team is comprised of the following individuals.

(adjust team members according to loan program offerings)

1. _____, Coordinator.
2. _____[Compliance Officer or personnel]_
3. _____[Staff Personnel to monitor Fannie Mae]_____
4. _____[Staff Personnel to monitor Freddie Mac]_____
5. _____[Staff Personnel to monitor FHLB Chicago MFP}_____
6. _____[Staff Personnel to monitor FHA/HUD] _____
7. _____[Staff Personnel to monitor VA]_____
8. _____[Staff Personnel to monitor Portfolio Loans]_____
9. _____[Staff Personnel to monitor Commercial Loans]_____
10. _____[Legal; Administrative; or Others as appropriate]_____

The team has identified the following source(s) as the person(s) they will rely on for information regarding residential and commercial real estate appraisals and evaluations during the COVID-19 pandemic.

[Suggested sources include: Federal Banking Agency Guidance and/or Rules, DFI Guidance, Banking Letters and/or Rules, and any requirements issued by any applicable investor such as: Fannie Mae, Freddie Mac, Federal Home Loan Bank Chicago, HUD/FHA, and the VA].

The team [, or designated individual(s) from the team,] will monitor portions of investor and regulator websites and releases devoted to residential and commercial real estate appraisals and evaluations, identify key points of contact including for investor programs, and assess potential implications for the financial institution if investor or regulatory agency requirements change regarding appraisals and evaluations requirements during the COVID-19 pandemic.

Implement Temporary Valuation Offerings by Investors to Relieve Access to Appraisals and Evaluations

The following identified temporary appraisal and evaluation procedures offered by investors will be followed by the [BANK NAME] to relieve access to appraisals

and evaluations of certain transactions while balancing safe and sound underwriting practices.

[adjust list in accordance with loan programs offered by the bank.]

[Loans underwritten in accordance with **Fannie Mae** standards will utilize applicable temporary appraisal and evaluation valuation options made available under Fannie Mae LL 2020-4 together with any revisions, extension or replacement of that guidance. The [BANK NAME] will cease use of the temporary valuation options in accordance with any instruction by Fannie Mae without further action by Board.]

[Loans underwritten in accordance with **Freddie Mac** standards will utilize applicable temporary appraisal and evaluation valuation options made available under Freddie Mac Bulletin 2020-5 together with any revisions, extension or replacement of that guidance. The [BANK NAME] will cease use of the temporary valuation options in accordance with any instruction by Freddie Mac without further action by Board.]

[Loans underwritten in accordance with **Federal Home Loan Bank** (FHLB) of Chicago MPF program standards will utilize applicable temporary appraisal and evaluation valuation options made available under FHLB of Chicago MPF Announcement 2020-20 together with any revisions, extension or replacement of that guidance. The [BANK NAME] will cease use of the temporary valuation options in accordance with any instruction by FHLB of Chicago without further action by Board.]

[Loans underwritten in accordance with **HUD/FHA** standards will utilize applicable temporary appraisal and evaluation valuation options made available under HUD Mortgagee Letter 2020-05 together with any revisions, extension or replacement of that guidance. The [BANK NAME] will cease use of the temporary valuation options in accordance with any instruction by HUD/FHA without further action by Board.]

[Loans underwritten in accordance with **Veterans Administration** (VA) standards will utilize applicable temporary appraisal and evaluation valuation options made available under VA Circular 26-20-13 together with any revisions, extension or replacement of that guidance. The [BANK NAME] will cease use of the temporary valuation options in accordance with any instruction by the VA without further action by Board.]

[list other loan investor programs, and the applicable resource guidance, for which there may be a temporary appraisal or evaluation underwriting protocol bank is following as a result of COVID-19].

Implement Deferrals of Appraisals and Evaluations under Regulators' Interim Final Rule

Except in transactions for acquisition, development, and construction of real estate, the [BANK NAME] may defer obtaining an appraisal or evaluation for residential and commercial real estate transactions for up to 120 days following the closing of the transaction in accordance with the federal banking agencies' interim final rule.

The [BANK NAME] will not defer valuations and will apply normal underwriting practices for obtaining required appraisals or evaluations in transactions involving acquisitions, development and construction of real estate unless there is a temporary valuation option available under an investor's COVID-19 related guidance for which the [BANK NAME] has adopted.

If there is a deferral of an appraisal or evaluation until 120 days after closing of a loan transaction, the [BANK NAME] will make best efforts to obtain a creditable valuation of real property collateral before the loan closing to develop a well-informed estimate of the collateral value of the subject property. The team has identified the following sources of creditable valuations.

[Suggested sources include: broker opinions, recent tax bill, automated valuation models or other valuation techniques, insurance replacement valuations, and recent appraisal and evaluations if still valid]

The [BANK NAME] will adhere to internal underwriting standards for assessing borrowers' creditworthiness and repayment capacity and will otherwise underwrite loans consistent with the principals in [NAME OF PRIMARY FEDERAL REGULATOR's] Standards for Safety and Soundness Guidelines and Real Estate Lending Standards as adopted in bank's existing policies.

The [BANK NAME] will insulate persons who develop a well-informed estimate of the collateral value of the subject property from any influence by loan product staff to ensure such persons remain independent of the transaction and have no direct or indirect interest, financial or otherwise, in the property or transaction.

Should a deferred appraisal or evaluation result in a significantly lower market valuation than the best estimated expected market value, the [BANK NAME] will utilize appropriate risk mitigation strategies as found in its existing Real Estate Lending Standard policy and will consider safety and soundness risk to the bank, balanced with mitigation of financial harm to COVID-19-affected borrowers.

Communications with Loan Originators and Underwriting Staff

Communication of the change in underwriting procedures will occur with the loan underwriting employees affected first and then to other loan operation

employees. The team will maintain a list of telephone numbers and e-mail addresses for all of its loan underwriting employees to assist in communication efforts.

It is the responsibility of the COVID-19 Appraisal and Evaluation team to track loans underwritten via a temporary appraisal and evaluation procedure.

Training

It is the responsibility of the COVID-19 Appraisal and Evaluation team to provide regular communication and any training to staff of the temporary underwriting tactics available by investors and regulators during the COVID-19 pandemic. Any training should ensure that all underwriting loan employees are aware of the appraisal and evaluation underwriting options available dependent upon type of loan that is to be underwritten.

Understanding that employee absenteeism could be high due to split-shift arrangements or in the event of a pandemic outbreak (due to their own illness, that of a family member, or the negative impact of certain public health measures such as school closings), cross-training will be utilized to anticipate restoring underwriting operations in the absence of key employees. Succession and redundancy plans will reach across all parts of the Bank so that other employees or outside consultants could work in critical positions.

Oversight

While the COVID-19 Appraisal and Evaluation team is responsible for carrying out the essential aspects of this temporary policy, senior management and the Board of Directors will have oversight as to the policy itself and responsibility to ensure the policy remains relevant. These parties are also responsible to ensure appropriate risk mitigation strategies under bank's existing Real Estate Lending Standards policy are followed should a deferred appraisal or evaluation result in a significantly lower market valuation than the best estimated expected market value.

Additional Resources:

Investor Selling Guides:

Fannie Mae Selling Guide: <https://singlefamily.fanniemae.com/media/22431/display>

Freddie Mac Selling Guide: <https://guide.freddiemac.com/app/guide/section/5601.9>

FHLB Chicago Mortgage Partnership Finance (MPF) Resources: <https://www.fhlbmpf.com/about-us/news/details/2020/04/27/mpf-marketing-bulletin-2020-08>

Interagency Items:

-Interagency Appraisal and Evaluation Guidelines, published December 10, 2020:
<https://www.govinfo.gov/content/pkg/FR-2010-12-10/pdf/2010-30913.pdf>

-Interagency FAQs on Appraisal and Evaluation Guidelines:
<https://www.fdic.gov/news/news/financial/2018/fil18062a.pdf>

FDIC:

-Appraisal Regulations, 12 CFR 323: <https://www.fdic.gov/regulations/laws/rules/2000-4300.html>

-Real Estate Lending Standards, Part 365: <https://www.fdic.gov/regulations/laws/rules/2000-8700.html>

FRB:

-Appraisal Regulations, Regulation H, Subpart E: <https://www.ecfr.gov/cgi-bin/text-idx?SID=76259297fe51cd6bd22ba4e1efc34c46&mc=true&node=sp12.2.208.e&rgn=div6>

-Real Estate Lending Standards, Regulation H, Appendix C: <https://www.ecfr.gov/cgi-bin/text-idx?SID=4bb5388982a43dd37aa6a58759e91b1a&mc=true&node=pt12.2.208&rgn=div5#ap12.2.%C2%A0%C2%A0%C2%A0.c>

OCC:

-Appraisal Regulations, 12 CFR 34, and other real estate related resources and OCC bulletins regarding real estate requirements: <https://www.occ.treas.gov/topics/supervision-and-examination/credit/commercial-credit/appraisals.html>

Truth in Lending:

Truth in Lending, Regulation Z: Section 1024.42 Valuation Independence:
<https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1026/42/>