

WHOLESALE BULLETIN

IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

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20W-040

Attention: AEs, Business Development Managers & Mortgage Brokers

March 31, 2020

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: FHA VA USDA Loans - Temporary Appraisal Guidelines

The purpose of this bulletin is to inform originators and business partners of temporary flexibilities pertaining to appraisals and repair inspections for the Federal Housing Administration, Veterans Administration and USDA Single Family Housing Guaranteed Loan Programs due to the COVID-19 pandemic.

FHA

Excerpts from HUD Mortgagee Letter 2020-05 ([see complete Mortgagee Letter for details](#))
The Appraisal guidance in Mortgagee Letter 2020-05 is effective immediately for appraisal inspections completed on or before May 17, 2020

Mortgage Purpose	Permissible Appraisals
Purchase Transaction (Forward & HECM)	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
Rate and Term Refinance, HECM-to-HECM Refinance, and Traditional HECM	Interior and exterior inspection appraisal or exterior-only inspection
Cash-out Refinance	Interior and exterior inspection appraisal
203(k) Purchase or Refinance, New Construction, and Building on Own Lands	Interior and exterior inspection appraisal

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.

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. **(MWF Borrower Certification to be used in cases of minor repairs, as applicable)*. 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.

VA

Excerpts from VA Circular 26-20-11 ([see complete circular for details](#))

Effective March 27, 2020 until further notice

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

Mortgage Purpose	Property Status	Permissible appraisals
Purchase Transaction	Vacant	Interior and Exterior Appraisal: The appraiser will continue to gain access to view the interior property when the appraiser's assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place.
Purchase or Refinance Transactions	Property Occupied	Interior and Exterior Appraisal The appraiser will continue to gain access to view the interior property when the appraiser's assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place. In addition, all parties must agree to the interior inspection and meet the following: a) either party has not been instructed by health authorities to stay home or practice social distancing; or b) does not have flu-like symptoms (such as fever, cough, or shortness of breath); or c) has not been quarantined under direction of public health authorities; and d) no parties are within the CDC guidance of high risk
Purchase or Refinance Transactions		Exterior Appraisal If either party does not wish to move forward with the interior inspection or do not meet the criteria listed above, the appraiser may move forward with an exterior-only appraisal with enhanced assignment conditions.

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

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) Appraisers are to boldly and inconspicuously state “Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19”. 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.

Desktop appraisals will be conducted when the appraiser’s assigned geographic jurisdiction has restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place.

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.

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. 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. In addition, there must be adequate assurance that the work will be completed timely and satisfactorily (up to 180 days).

USDA

Single Family Housing Guaranteed Loan Program Temporary Exceptions to Interior Inspection Appraisals in Relation to COVID-19 Pandemic in effect for a period of 60-days from March 27, 2020 ([see USDA for details](#))

Residential Appraisal Reports Existing Dwelling

Mortgage purpose	Permissible appraisals
Purchase and Non-Streamlined Refinance Transactions	Interior and exterior inspection appraisal or exterior-only appraisal
New Construction, Construction to Permanent Transactions	Interior and exterior inspection appraisal

Note: Appraisals are not required for streamlined and streamlined-assist refinance transactions.

Repair Inspections Existing Dwelling

Loans for which a completion certification is not available due to issues related to the COVID-19 pandemic, a letter signed by the borrower confirming that the work was completed is permitted.

Lenders must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the loan file.

MWF Borrower Certification to be used in cases of minor repairs, as applicable. When applicable, the MLO or Processor will complete and send the form the Borrower(s) to execute and provide photos or other evidence to fulfill re-inspection requirements. Form is available on the BOLT Dashboard.



We hope this guidance will help you to navigate the loan process during this volatile time.

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