

WHOLESALE BULLETIN

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20W-055

Attention: AEs, Business Development Managers & Mortgage Brokers

April 24, 2020

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

Included in this Bulletin: Fannie Mae – Updated Guidance Related to COVID-19

Fannie Mae has announced the following updates/additions to Lender Letter LL-2020-04.

Waiver of Project Review

Fannie Mae is 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, the project must meet the following existing requirements:

- Litigation requirements described in Fannie Mae Selling Guide Ineligible Projects (B4-2.1-03)
- All policies in Fannie Mae Selling Guide Waiver of Project Review (B4-2.01-02), for all loans with LTV ratios greater than 80% using the waiver of review for Fannie Mae owned limited cash out refinance transactions.

Project Documents used in Project Reviews

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, confirmation must be documented that the project currently meets the HOA dues delinquency requirements in Fannie Mae's Selling Guide B4-2.202, Full Review Process. All other project standard 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 on so many businesses, we understand that there are increased difficulties in obtaining project documents from some HOAs and property managers. Other sources of condo project data may be used 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. If a project review was completed previously by MWF 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.

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.

Flexibilities for new construction loans

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, Fannie Mae will permit a desktop appraisal on the forms identified in the following table. LTV ratio requirements must be adhered to 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 PUD or a detached condominium unit	Uniform Residential Appraisal Report (Form 1004)
Condominium Unit	Individual Condominium Unit Appraisal Report (Form 1073)
Two to Four Unit Property	Small Residential Income Property Appraisal Report (Form 1025)
Manufactured Home	Manufactured Home Appraisal Report (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 appraiser must be provided 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 appraiser must be provided 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

An executed [Builder Certification](#) must be obtained 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 a completed Appraisal Update and/or Completion Report (Form 1004d) is unable to be obtained as a result of COVID-19 related issues, a completed [Completion of Construction Certification](#) is acceptable.

Temporary Appraisal Requirement Flexibilities

Use of lender variances and temporary appraisal flexibilities

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
Purchase transaction, including new construction properties *	≤ 85%	Second Homes and Investment Properties	N/A	Traditional Appraisal Desktop Appraisal Exterior Only Appraisal
Limited Cash Out Refinance	See LTV Matrix	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 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 Fannie Mae, 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, a desktop appraisal rather than an exterior only appraisal is encouraged to be obtained.

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 Fannie Mae 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 PUD or a detached condo unit	Uniform Residential Appraisal Report (Form 1004)
Condo Unit	Individual Condominium Unit Appraisal Report (Form 1073)
Two to Four Unit Property	Small Residential Income Property Appraisal Report (Form 1025)
Manufactured Home	Manufactured Home Appraisal Report (Form 1004C)

As described below, Fannie Mae and Freddie Mac have worked together to develop documents that include modified appraisal report language for the scope of work, statement of assumptions

and limiting conditions, and certifications that must be used with the 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 comparable sales, and
- Photographs of the subject property. Appraiser is expected to utilize available means to obtain relevant pictures of the subject property.

Exterior-Only Inspection Appraisals

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

- Purchase Money Loans
- Limited Cash Out refinances where the loan being refinanced is owned by Fannie Mae Value Representation and Warranty Relief under Day 1 Certainty will not be received for loans with exterior-only appraisals.

Refer to the above table for acceptable Appraisal Forms

Exhibits for Exterior-Only Inspection Appraisals

Each exterior-only inspection appraisal must include the following exhibits:

- A street map that shows the location of the subject property and 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.

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