

General

The GSEs have announced temporary flexibilities regarding appraisal and verbal verification of employment issues. These are effective immediately for all applications in process and will remain in place for with application received dates on or before May 17, 2020.

To view the announcements, please see the [FNMA Lender Letter](#) and [FHLMC Bulletin](#).

Appraisals

Q1. What appraisal accommodations have been made?

The GSEs will temporarily accept one of three types of appraisals, based on transaction type and LTV as described in the table below.

Permissible Appraisal Requirements				
Mortgage Purpose	LTV Ratio	Occupancy	Ownership of Mortgage Being Paid Off	Permissible Appraisals
Purchase transaction ¹	Up to 97%	Primary Residence	N/A	Traditional appraisal or, Desktop appraisal or, Exterior-only appraisal
	≤ 85%	Second Homes & Investment Properties	N/A	Traditional appraisal or, Desktop appraisal or, Exterior-only appraisal
	> 85%	Second Home	N/A	Traditional appraisal
No Cash-Out Refinance	As permitted in the guide	All	From FNMA to FNMA or Freddie Mac to Freddie Mac	Traditional appraisal or Exterior-only appraisal
			Not FNMA to FNMA or FHLMC to FHLMC	Traditional appraisal
Cash Out Refinance	As permitted in the guide	All	N/A	Traditional appraisal

Notes:

- Flexibilities are not permitted on Renovation or New Construction Transactions.
- For all Mortgages with LTV ratios greater than 80%, consult the MI companies to confirm coverage using one of the temporary appraisal flexibilities is acceptable.

Q2. Can you tell me what each permissible appraisal option involves?

Generally;

- A traditional appraisal requires the appraiser to inspect the interior and exterior of the home.
- The desktop appraisal does not require an inspection of the home, and the appraiser completes a full appraisal report relying on public records, MLS information and other third party sources.
- An exterior only appraisal or “drive by” report would only require the appraiser to photograph the exterior of the home for inspection purposes. The appraiser would still complete a full valuation.

Q3. If I get an appraisal waiver from AUS, do I need to get an appraisal?

No, appraisal waivers when issued and maintained in the final AUS run will still be honored.

Q4. If I don't get an appraisal waiver, will AUS tell me which Permissible appraisal I need?

No, because this is temporary guidance, neither DU nor LPA is being programed to indicate which Permissible appraisals can be used.

Q5. There are a couple of appraisal options for some loan types and LTV's. How do I know which one to order?

You will need to place an order for a Traditional appraisal. FLS will try to place the traditional appraisal order first. If the Traditional appraisal order cannot be placed, either due to unwillingness of any party, or because of city, state or national restrictions, the AMC will attempt to place the order utilizing other Permissible appraisal options. The AMC knows which Permissible appraisal(s) are specifically permitted.

Q6. Are their cost difference for each Permissible appraisal type? How do I know what appraisal cost to disclose?

FLS is currently surveying appraisers in all markets. Regardless of appraisal cost differences, the cost of the required Traditional appraisal will need to be disclosed. The final appraisal invoice will have to be reconciled with the final CD, subject to any FIMC re-disclosure requirements.

Q7. How will I know if the Borrower's current mortgage is owned by FNMA or FHLMC?

By accessing the [Loan Look-Up Tool](#), provided the Borrower has authorized us to obtain this information on their behalf.

Q8. I have a No Cash-out Refinance application, do I need to indicate anything different on the appraisal order?

You will need to indicate if the transaction will be FNMA owned to FNMA, or FHLMC owned to FHLMC, so FLS will know if an Exterior-only appraisal is Permissible option.

Q9. If I have a Second Home or Investment property do I need to note anything different on my appraisal order with FLS? Yes, when ordering appraisals on these properties the LTV will need to be included on the order.

Q10. Is there any additional information I should provide with my appraisal order to assist in the process? Yes, please indicate if the property is occupied or vacant which will help order placement. Also for all refinance transactions FLS need to be told if the transaction is Cash out or No cash out.

- Q11. What happens on a 2nd home or investment property with an LTV ≤ 85% LTV comes in short with a Desktop appraisal?** The report would be subject to the ROV process. If the value is not raised, and it is determined the valuation is not defective or tainted, or the sales price or loan amount cannot be adjusted to an LTV of 85% or less, a Traditional appraisal is required for any eligible LTV greater than 85%.
- Q12. What happens a Traditional Appraisal is required and cannot be obtained due to borrower or lack of appraisers willing to accept the assignment?** FLS will place the order on hold until 14 days after an occupant ends quarantine, the authorities lift restrictions or FLS has an appraiser willing to inspect.
- Q13. Have the agencies provided any leniency regarding appraisals that are completed 'subject to' and Completion (1004D) inspections?**
If the 1004D cannot be completed due to COVID-19 related issues, a signed letter from the Borrower is permitted confirming that the work was completed. Further evidence of completion must be provided which may include: photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation.
- Q14. What if my borrower is trying to buy a condominium, 2-4 unit, or a manufactured home?**
Permissible appraisal requirement still apply, subject to both the Permissible appraisal table and GSE eligibility.
- Q15. Will I be able to get mortgage insurance approved, with any of the Permissible appraisals?**
Yes, the MI companies have reviewed the GSE guidance and will accept the Permissible appraisals.

Verbal Verifications of Employment

- Q16. I am having difficulty getting my borrowers employer on the phone to verbally verify employment, are there other options for me to utilize?**
Yes, in addition to the VVOE, the GSEs will temporarily allow three other options. One of four options will be needed:
- A standard verbal verification of employment or Written VOE or,
- An Email to Fairway from the employers HR department with name and title of verifier, confirming the terms of employment; or,
 - The most recent bank statement showing the automatic payroll deposit from the employer, within 10 days of the note date, with a written statement from the borrower validating that they have not been laid off or furloughed; or,
 - The most recent paystub, dated within 10 days of the note date from the employer, with a written statement from the borrower validating that they have not been laid off or furloughed.
- Q17. My Borrower is Self-Employed, are there any updates for SE borrowers?**
Fairway will require evidence the borrowers business is operational and open within 10 days of the Note Date. We are required to continue to assess the Borrower's ability to repay is not negatively impacted.
- Q18. Will the required period for VOEs change?**

The GSEs have not extended the required period to obtain VVOEs. Fairway will continue to require a VVOE, Written VOE, or one of the temporary alternatives prior to closing, within 10 business days.

Q19. I have a borrower that is furloughed, or 'temporarily' laid off, can we proceed with these borrowers?

The borrower would have to meet GSE guidance regarding Temporary leave.