



COVID-19 Appraisal Policy

Per agency guidelines, Essex is adopting the following temporary policies for appraisal reports. These policies are effective for the time periods identified by each agency below.

FHA

This guidance is effective for appraisal reports completed on or before December 31, 2020.

Temporary Flexibility	
Purchases	Exterior-Only or Desktop-Only acceptable (Not permitted on 203K loans or new construction)
Rate and Term Refinances	Exterior-Only acceptable (Not permitted on 203K loans)
Cash-Out Refinances	None - regular appraisal requirements apply
Streamline Refinances	None - no appraisal required
203K Purchases and Refinances	None - regular appraisal requirements apply
HECM for Purchase	Exterior-Only or Desktop-Only acceptable
Traditional HECM and HECM to HECM refis	Exterior-Only acceptable

1004D	<p>A letter signed by the borrower affirming completion of the work is acceptable in lieu of the report, accompanied by supporting documentation including but not limited to:</p> <ul style="list-style-type: none"> ● Photographs of the completed work ● Paid invoices confirming completion ● Occupancy permits <p>(Not permitted on 203K loans or new construction)</p>
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Report Requirements:

- Reports must be completed on the normal FHA-approved appraisal forms, with an amended model certification and scope of work included. ****When ordering an exterior-only or desktop-only, order the regular FHA report and put “Exterior Only” or “Desktop Only” in the order notes.****
- Fannie Mae Forms 2055 and 1075 are not permitted as they are not compatible with FHA’s Electronic Appraisal Delivery (EAD) portal.
- Reports must include a signed certification from the appraisal indicating whether or not the appraiser personally inspected the subject property, and the extent of the inspection
- Exterior-Only scope of work:
 - Physically observed from the street
 - Completed As-Is, unless minimum property requirement related deficiencies are observed from the street or otherwise known
 - Extraordinary assumptions may be utilized when necessary
 - No sketch, interior photos, or rear exterior photographs required
- Desktop-Only scope of work:
 - No physical observation
 - Completed As-Is unless minimum property requirement related deficiencies are known
 - Extraordinary assumptions may be utilized when necessary
 - No sketch, interior photos, or exterior photographs are required
 - No comparable viewing nor photos are required

Conventional

This guidance is effective for all loans in process and remains in place for loans with application dates **on or before December 21, 2020**. Appraisal waivers should be accepted when eligible and provided through DU.

Permissible Appraisals by Loan Purpose				
Loan Purpose	LTV Ratio	Occupancy	Ownership of Loan Being Refinanced	Permissible Appraisals
Purchase	Per Eligibility Matrix	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 Eligibility Matrix	All	Fannie Mae-owned (must have DU) or Freddie Mac-owned (must have LP)	Traditional appraisal Exterior-only appraisal
			Not Fannie Mae-owned (must have DU) or not Freddie Mac-owned (must have LP)	Traditional appraisal
Cash-out refinance	Per Eligibility Matrix	All	Fannie Mae or not Fannie Mae-owned (must have DU) or Freddie Mac or not Freddie Mac-owned (must have LP)	Traditional appraisal

Note: DU has been updated to reflect if a loan is Fannie Mae-owned. There are also lookup tools here: [FNMA Loan Lookup](#) and [FHLMC Loan Lookup](#).

For loans which require mortgage insurance, lenders must consult with their mortgage insurance companies to confirm coverage for mortgages using one of the temporary appraisal flexibilities.

Other Temporary Flexibilities	
1004Ds (existing properties)	<p>A letter signed by the borrower affirming completion of the work is acceptable in lieu of the completion certification, accompanied by supporting documentation including but not limited to:</p> <ul style="list-style-type: none"> ● Photographs of the completed work ● Paid invoices confirming completion ● Occupancy permits
Purchases (New Construction)	<p>Desktop appraisals permitted with a revised scope of work, statement of assumptions and limiting conditions, and certifications.</p> <p>Acceptable forms:</p> <ul style="list-style-type: none"> ● 1004 (1 unit, PUD, detached condo) ● 1073 (condo) ● 1025 (2-4 unit property) ● 1004C (manufactured home) <p>The appraiser should be provided with plans, specifications, surveys or plot plans, current photos, and the sales contract from the lender or builder. A builder certification is required attesting that the information provided is true and correct.</p> <p>If a 1004D for reports subject to completion cannot be obtained as a result of COVID-19, a Completion of Construction Certification will be acceptable.</p>
HomeStyle Renovation Loans	<p>Traditional appraisals and 1004Ds are still required - Exterior-Only and Desktop appraisals are not permitted.</p> <p>If an onsite inspection is not available due to COVID-19, lenders may use a Completion of Construction</p>

	<p>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 must be accompanied by evidence such as photos or site videos of sufficient quality. Fannie Mae will permit draws on a HomeStyle renovation loan while it is in forbearance status.</p>
<p>Condominium Project Reviews</p>	<p>Project Review Waiver Flexibilities</p> <ul style="list-style-type: none"> ● Extended 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. We must confirm the project meets the existing 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. <p>Project Review Documentation</p> <ul style="list-style-type: none"> ● When a budget review is required, the 2019 fiscal year budget will be acceptable 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. New projects are excluded from this flexibility. ● 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. ● If we 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.

Desktop Appraisal Requirements

The following forms must be used:

- 1004 (1 unit, PUD, detached condo)
- 1073 (condo)
- 1025 (2-4 unit property)
- 1004C (manufactured home)

The forms developed by Fannie Mae have modified report language for the scope of work, statement of assumptions and limiting conditions, and certifications that must be used. The appraisal must include in the “Map Reference” field, the identifier “desktop”.

The following exhibits must be included:

- A location map indicating the location of the subject property and comparables; and
- Photographs of the subject property (appraiser may utilize available means to obtain relevant pictures)
- Note - virtual inspection methods may be used (however, they are not allowed on traditional appraisals)

Exterior-Only Appraisal Requirements

Lenders cannot receive value representation and warranty relief under Day 1 Certainty for loans with exterior-only appraisals.

The following forms must be used:

- 2055 (1 unit, PUD, detached condo)
- 1075 (condo)
- 1025 (2-4 unit property)
- 1004C (manufactured home)

The forms developed by Fannie Mae have modified report language for the scope of work, statement of assumptions and limiting conditions, and certifications that must be used. The appraisal must include in the “Map Reference” field, the identifier “exterior”.

The following exhibits must be included:

- A street map that shows the location of the subject property and of all comparable sales used;
- Clear, descriptive photographs that show the front of the subject property. These must be originals that are produced by photography or electronic imaging; and
- Any other data, as an amendment or attachment, that is necessary to provide an adequately supported opinion of market value.
- Note - virtual inspection methods may be used (however, they are not allowed on traditional appraisals)

VA

Updated per Circular 26-20-13 (4/10/20). This guidance is effective for all loans closed on or after April 10, 2020 until further notice or the scheduled rescission of Circular 26-20-13 on April 1, 2021.

Please note that Essex is not accepting Desktop appraisals for VA loans at this time.

Temporary Flexibility	
Appraisals for purchase transactions (vacant)	The appraiser will continue to gain access to view the interior property for a purchase transaction on a vacant property. The interior inspection is allowed when the appraiser poses no harm to themselves or others.
Appraisals for purchase or refinance transactions (occupied)	Exterior-Only valuations are acceptable IF: <ul style="list-style-type: none">• The appraiser's assigned geographic jurisdiction does not have restrictions prohibiting them from leaving their domicile, such as a 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. Exterior-only valuations are limited to one and a half times the maximum 2020 Freddie Mac Conforming Loan Limit for a 1-unit for the county. Those limits can be found here: 2020 Freddie Mac Conforming Loan Limits
Important: If the above criteria are met but the appraiser believes that the assignment is too complex to be completed by an Exterior-Only appraisal, they will contact the RLC and the lender to place the assignment on hold until an interior inspection can be completed.	
Reconsiderations of	Purchases: <ul style="list-style-type: none">• Restricted to no greater than 7% from the appraiser's opinion of value or \$10,000, whichever is

Value	<p>greater. The 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 there must be overwhelming evidence of appraisal error that impacts value. A field review from the RLC will not be completed.</p> <p>Refinances:</p> <ul style="list-style-type: none"> ● Cash-out refinances: ROVs not permitted
Repair Inspections	<p>We may permit flexibility with repair inspections impacted by COVID-19 on a case by case basis, based on the nature of repairs. Management approval is required.</p>
Termite Inspections	<p>Purchases:</p> <ul style="list-style-type: none"> ● A seller or realtor may provide a certification if there is no known or visible evidence of termite infestation present. The Veteran must acknowledge that no inspection was completed. ● VA recommends that the Veteran complete an inspection once the national emergency has ended. ● If there is known or visible evidence of termite infestation present, a clear termite report must be provided within one year of close of escrow. <p>Cash-Out Refinances:</p> <ul style="list-style-type: none"> ● 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 present, a clear termite report must be provided within one year of close of escrow.
Notices of Value	<p>Any additional items that need to be met on the NOV will have to be met within 180 days from the date of the NOV. The Veteran must acknowledge and accept any and all conditions not met prior to closing. All conditions must be completed before the loan will be guaranteed by VA. Any clear and obvious MPR related issues will not be able to be issued a guaranty until all repairs are completed.</p>

Exterior-Only Report Requirements:

- Completed on FNMA 2055/1075 URAR form (manufactured homes and multi-units will be on the 1004C or 1025 forms).
- Appraisers must boldly and conspicuously state “Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19.”
- On page 1 of the appraisal report, Subject section “Map Reference”, appraisers are to state “Exterior-Only”.
- The full exterior must be reviewed and photos of all sides must be included with detailed notes of the exterior and any visible MPRs. MLS photos may be used if views are obstructed or restricted or access is unable to be granted or allowed. MLS photos must be explained in the report.
- A measurement of the footprint of the home should be provided if accessible.
- Extraordinary assumptions may be utilized when necessary and must be clearly noted in the Reconciliation section of the report
- Completed As-Is, unless minimum property requirement related deficiencies are observed from the street or otherwise known. Appraisers can make extraordinary assumptions about MPRs with the information available.