



# Seller Guide Update



SEL-2020-066: Updated: Temporary Flexibilities for VA and USDA Appraisals

August 10, 2020

- Correspondent Lending
- Housing Finance Agency (HFA)

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## Summary



The following items have recently been updated in the U.S. Bank Correspondent Seller and HFA Division Lending Guides, specific to Loan Delivery, Underwriting and Credit Policy.

### U.S. Bank Correspondent Seller and HFA Division Lending Guides

Unless notated within each section as Correspondent only policy or based on product availability such as Portfolio products available only in Correspondent, these updates are applicable to both our Correspondent and HFA lenders. The respective sections of the U.S. Bank Correspondent Seller and HFA Division Lending Guides are included in each section. This communication serves to announce changes and updates including an effective date. Always review the U.S. Bank Correspondent Seller and HFA Division Lending Guides for the most current policy. Guidelines are updated with the information in this communication and should be referred to instead of the communication for guidance.

## Underwriting, Delivery, and Product Grids

For overall ease of use, we have enhanced our communications to now include underwriting and delivery method checkboxes to each section when applicable. You'll also find a new grid that outlines the applicable products.

## Effective Date

Immediately unless otherwise noted within each section below.

## Keeping you informed

U.S. Bank continues to closely monitor the ever-changing landscape of our business as a result of the impacts of the coronavirus (COVID-19).

For information about our ongoing work to support our lending partners and customers, we invite you to visit our Correspondent/HFA COVID-19 Resource Page within AllRegs for regular updates and the most current information. We know you have many questions and we are diligently working to address each of them. We have developed a list of [COVID-19 Frequently Asked Questions](#) and will continue to update this document on a regular basis to keep you informed of process and policy updates.

For additional information about our ongoing work to support customers, we invite you to visit [U.S. Bank's COVID-19 support site](#) for regular updates and the most current information.



## Temporary Flexibilities for VA Appraisals

Underwriting/Delivery	
<input type="checkbox"/>	Corr. Delegated
<input type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input type="checkbox"/>	Corr. Mandatory
<input checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input type="checkbox"/>	Conv. (Freddie)
<input type="checkbox"/>	Conv. (Fannie)
<input type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input checked="" type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

In **SEL-2020-032**, we communicated that exterior-only appraisals were not eligible for Housing Finance Agency (HFA) VA loans in that exterior-only appraisals are more limited in their assessment. **Effective immediately**, we are aligning our HFA VA Appraisal requirements to allow exterior only appraisals when requested from the appraiser provided the following guidance is met per [VA Circular 26-20-13 - Valuation Practices during COVID-19 \(Updated\)](#) and [VA Circular 26-20-14](#).

### Temporary Appraisal Requirement Flexibilities

When an interior inspection is not obtainable due to COVID-19 pandemic, either a desktop appraisal or an exterior-only inspection appraisal in lieu of the interior and exterior inspection appraisal (i.e., traditional appraisal) will be allowed. We must document why this flexibility was utilized.

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 Ginnie Mae.

Borrowers should be made aware that refusing to allow an appraiser in when a traditional appraisal is required may delay the loan process.

The flexibilities apply to Purchase transactions loan amounts limited to **1½ times** the maximum Agency 2020 conforming loan limits for 1-unit limit for the county or county equivalent area. Purchase loan amounts greater than **1½ times** the conforming 1-unit county limit must have an interior exterior appraisal.

Loan Purpose	Permissible Appraisals (in order of preference)
Purchase equal to or less than the <b>1½ times</b> the Agency 2020 conforming county loan limits for 1 unit	<ul style="list-style-type: none"> <li>Traditional appraisal</li> <li>Exterior-only appraisal (<i>now permitted for HFA</i>)</li> </ul>
Purchases up to Agency 2020 conforming county loan limits for 1-unit	<ul style="list-style-type: none"> <li>Desktop appraisal</li> </ul>
Purchases exceeding the <b>1½ times</b> Agency 2020 conforming county loan limits for 1-unit	<ul style="list-style-type: none"> <li>Traditional appraisal only</li> </ul>
Cash Out Type I and Type II	<ul style="list-style-type: none"> <li>Traditional appraisal only</li> </ul>
IRRRL	<ul style="list-style-type: none"> <li>No appraisal required</li> </ul>

### Desktop appraisals

For purchase money transactions when an interior and exterior appraisal is not available, desktop appraisals are preferred 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.

Lenders must state in both public notes in WebLGY and by email to the appraiser if they will accept a Desktop appraisal. 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.

**Temporary Flexibilities for Appraisals for VA Updated and Future SAR Requirements, continued**

VA requires appraisers to attach a copy of the provided Scope of Work (SOW) VA Circular 26-20-11 Exhibit A.

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a VA approved condominium unit	Uniform Residential Appraisal Report 1004, 1073
2-4 Unit Property	Uniform Residential Appraisal Report 1004, 1025
Manufactured Home ( <i>only available in participating programs</i> )	Uniform Residential Appraisal Report 1004C

**Exterior-only inspection appraisals**

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a VA approved condominium unit	Uniform Residential Appraisal Report 2055/1075
2-4 Unit Property	Uniform Residential Appraisal Report 1025
Manufactured home ( <i>only available in participating programs</i> )	Uniform Residential Appraisal Report 1004C

For each exterior-only appraisal 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.
- Include 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.
- 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.

**Completion Reports:** Certification of Repairs will be completed with documentation from licensed personnel i.e. paid bill for repairs. Lead base paint repair certifications must still be completed by the appraiser.

**Termite Reports:** Termite Inspection report for properties located in an area on the Termite Infestation Probability Map of “very heavy” or moderate to heavy” will still be required.

**Additional NOV Conditions:** Any additional items that need to be met on the NOV to comply with VA requirements must be met and completed in 60-days from the date of the NOV issuance.

**Reconsideration of Value:** Reconsideration of Value 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. VA has suspended ROV for cash out transactions.

**Appraisal Fees:** 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 a 1004D appraisal update within one year of completing an Exterior- Only or Desktop appraisal under the same fee payment.

**Guide Update:** HFA Overlay Matrix, COVID- 19 Frequently Asked Questions

## Temporary Flexibilities for USDA RD Appraisals

Underwriting/Delivery	
<input type="checkbox"/>	Corr. Delegated
<input type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input type="checkbox"/>	Corr. Mandatory
<input checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input type="checkbox"/>	Conv. (Freddie)
<input type="checkbox"/>	Conv. (Fannie)
<input type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

In **SEL-2020-022**, we communicated that exterior-only appraisals were not eligible for Housing Finance Agency (HFA) USDA RD loans in that exterior-only appraisals are more limited in their assessment. **Effective immediately**, we are aligning our HFA USDA Appraisal requirements to allow exterior only appraisals when requested from the appraiser provided the following guidance is met:

During this COVID-19 national emergency, in some cases lenders are unable to obtain an appraisal based on a full interior and exterior inspection of the subject property. In response, RD is allowing temporary flexibilities to appraisal requirements.

### Appraisal Reports

For purchase and non-streamlined refinance transactions, when an appraiser is unable to complete an interior inspection of an existing dwelling due to concerns associated with the COVID-19 pandemic, an "Exterior-Only Inspection Residential Appraisal Report", (FHLMC 2055/FNMA 2055) will be accepted.

### Exterior-Only Option

Each Exterior-Only appraisal report must include the following:

- 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.

In such cases, appraisers are not required to certify that the property meets HUD HB 4000.1 standards. The appraisal must be completed in accordance with the Uniform Standards of Professional Practice (USPAP) and the Uniform Appraisal Dataset (UAD).

This exception is not applicable to new construction properties or construction to permanent loans and manufactured housing pilot programs.

### Repairs for 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.

This exception is not applicable to rehabilitation and repair loans noted in section 12.28 of HB-1-3555.

**Guide Update:** HFA Overlay Matrix, COVID- 19 Frequently Asked Questions

## Questions



**HFA:** Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.