



DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-07 March 25,2020

Guideline Update

Non-QM and Non-Conforming Jumbo Loan Products:

Due to recent volatility across secondary investors and capital markets, and in order to protect our Correspondent's reputational risk as product and price offerings are changing daily, **FCM Correspondent has suspended all Non-QM and Non-conforming Jumbo programs for a period of 30 days.** Once the market settles down and we can once again offer a reliable and competitive product, FCM will notify all Correspondents. If you have questions about eligibility or pricing of prospect loans in these product families, please contact your FCM Account Executive.

Conventional/Conforming:

FCM is adopting many of Fannie Mae and Freddie Mac's recent policies around temporary flexibilities pertaining to verification of employment and appraisal requirements.

Here are the links to the full bulletins:

[FNMA Lender Letter 2020-04](#)

[FHLMC Bulletin 2020-5](#)

These temporary flexibilities, unless otherwise restricted below, are effective immediately for all loans in process and remain in place for loans with application dates on or before May 17, 2020.

FCM offers the following restrictions to the Fannie/Freddie guidance:

Verbal Verification of Employment:

For all loans closing 3/26/2020 or later, Sellers must obtain a verbal verification of employment within 3 days of the note date. If you are unable to obtain a verbal



verification of employment due to the business being temporarily closed, there must be documentation in the file addressing what efforts have been made to contact the business.

To further support this 3-day requirement, FCM Delegated Correspondent is aligning with one of the VVOE flexibilities offered by Fannie/Freddie:

Written VOE: An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used in lieu of a verbal VOE.

Note: FCM will not accept a recent paystub or direct deposit verification, as offered by the GSEs.

Day 1 Certainty:

If D1C is used, loan must close by the date indicated on the DU approval, in addition to all other required D1C requirements. Loans with D1C for employment will not require a VVOE within 3 business days provided the close by date in AUS is met.

Verification of Self-Employment:

For all loans closing 3/26/2020 or later all loans with self-employed borrowers must provide verification the borrower's business is still operational within 15 days of the note date. This would NOT include anything created > 15 days of the note date. (Example. Secretary of State print out is not acceptable)

Property Valuations - Appraisal Flexibilities:

If an interior inspection is not able to be obtained, FCM is allowing temporary exceptions to property eligibility and appraisal requirements that align with Fannie and Freddie. There may be instances where there is insufficient information about the property for an appraiser to complete an appraisal assignment with a desktop appraisal or an appraisal with an exterior-only inspection. In these instances, a full appraisal including an interior inspection will be required.

***Note: For all Mortgages with LTV ratios greater than 80%, we require Mortgage Insurance in accordance with Selling Guide requirements. Consult



with mortgage insurance companies to confirm coverage for Mortgages using one of the temporary appraisal flexibilities***

The following table provides appraisal requirements based on Mortgage purpose, loan-to-value (LTV) ratio, occupancy type and Mortgage ownership. For loans sent to FCM for credit underwriting, we require a Desktop Appraisal and UCDP results on all purchases if a traditional full interior/exterior appraisal cannot be performed.

Freddie (these flexibilities are not permitted for Construction Conversion, Renovation or new construction properties):

Permissible appraisal requirements				
Mortgage purpose	LTV ratio	Occupancy type	Ownership of Mortgage being refinanced	Permissible appraisals
Purchase transaction*	Up to 97%	Primary Residence	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	≤85%	Second homes and Investment Properties	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	>85%	Second homes	N/A	Interior and exterior inspection appraisal
No cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned by Freddie Mac	Interior and exterior inspection appraisal or exterior-only inspection
			Mortgage being refinanced not owned by Freddie Mac	Interior and exterior inspection appraisal
Cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned or not owned by Freddie Mac	Interior and exterior inspection appraisal

Fannie (these flexibilities are not permitted for Construction Conversion, Renovation or new construction properties):

Loan purpose	LTV ratio	Occupancy	Ownership of loan being refinanced	Permissible appraisals (in order of preference)
Purchase*	<i>Per Eligibility Matrix</i>	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	<i>Per Eligibility Matrix</i>	All	Fannie Mae-owned	Traditional appraisal Exterior-only appraisal
			Not Fannie Mae-owned	Traditional appraisal
Cash-out refinance			Fannie Mae or not Fannie Mae-owned	Traditional appraisal



Appraisals with exterior-only inspections

The table below provides the appraisal report form that must be used to complete an appraisal with an exterior-only inspection for each property type. Because there are not appropriate exterior-only appraisal report forms available for 2- to 4-unit properties and Manufactured Homes, we will accept an exterior-only appraisal scope of work completed using the applicable forms listed below.

Freddie:

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Guide Form 2055, Exterior-Only Inspection Residential Appraisal Report
Attached Condominium Unit	Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report
Cooperative Unit	Fannie Mae Form 2095, Exterior Only Individual Cooperative Interest Appraisal Report
2- to 4-unit property	Form 72, Small Residential Income Property Appraisal Report
Manufactured Home	Form 70B, Manufactured Home Appraisal Report

Fannie:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Exterior-Only Inspection Residential Appraisal Report (Form 2055)</i>
Attached condominium unit	<i>Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075)</i>
Cooperative unit	<i>Exterior-Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)</i>
Two-four unit property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>



Exhibits for exterior-only inspection appraisals

The following are required in connection with an appraisal with an exterior-only inspection:

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

Desktop appraisals

For purchase transaction Mortgages, we encourage obtaining a desktop appraisal in lieu of an appraisal with an exterior-only inspection when an interior and exterior inspection is not available.

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 or other third-party data sources to identify the property characteristics.

The table below provides the appraisal report form that must be used to complete the desktop appraisal for each property type.

Freddie:

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Form 70, Uniform Residential Appraisal Report
Condominium Unit	Form 465, Individual Condominium Unit Appraisal Report
Cooperative Unit	Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report
2- to 4-unit property	Form 72, Small Residential Income Property Appraisal Report
Manufactured Home	Form 70B, Manufactured Home Appraisal Report



Fannie:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Uniform Residential Appraisal Report (Form 1004)</i>
Condominium unit	<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>
Cooperative Unit	<i>Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)</i>
2-4 Unit Property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured Home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

Exhibits for desktop appraisals

Each desktop appraisal must include the following exhibits:

- Photographs of the subject property. we recognize 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.
- A location map indicating the location of the subject and comparables.

Additional form instructions for appraisals

For an appraisal with an exterior-only inspection or a desktop appraisal that is completed on a form for an interior and exterior inspection (e.g., [Form 70](#)), as permitted above, the appraisal report must include, in the “Map Reference” field, the corresponding text identifier that verifies the type of appraisal completed; specifically, “exterior” or “desktop”.