



## WHOLESALE ANNOUNCEMENT 2020-08

March 24, 2020

### Guideline Updates

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#### ***Non-QM Loan Products:***

Effective immediately and until further notice, all Non-QM programs are suspended.

#### ***Conventional:***

FCM is adopting Fannie Mae and Freddie Mac's 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 are effective immediately for all loans in process and remain in place for loans with application dates on or before May 17, 2020.

#### **Verbal Verification of Employment:**

All efforts must be made to 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.* FCM is aligning with the following flexibilities offered by Fannie/Freddie:

1. **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:** The next two items are permitted on an exception basis only after failure to obtain a verbal or email reverification per the instructions above. The following 2 items will require a 2<sup>nd</sup> signature in Underwriting\*\*



2. **Paystub:** May obtain a year-to-date paystub from the pay period that immediately precedes the Note Date.
3. **Bank Statements:** An asset account statement evidencing payroll deposit from the pay period that immediately precedes the Note Date.

### **Verification of Self Employment:**

Effective immediately, 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 not created within 15 days of the note date. (Example. Secretary of State print out is not acceptable)

### **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.

### **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. ***FCM will require a Desktop Appraisal on all Purchases if a traditional full appraisal cannot be performed (will not permit an exterior-only on purchase loan):***



**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
	≤85%	Second homes and Investment Properties	N/A	Interior and exterior inspection appraisal, desktop 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*	Per Eligibility Matrix	Principal residence	N/A	Traditional appraisal Desktop appraisal
	≤ 85%	Second home Investment		Traditional appraisal Desktop appraisal
	> 85%	Second home		Traditional appraisal
Limited cash-out refinance	Per Eligibility Matrix	All	Fannie Mae-owned	Traditional appraisal Exterior-only appraisal
Cash-out refinance			Not Fannie Mae-owned	Traditional appraisal
			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:**

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

#### **Fannie:**

<b>Property Type</b>	<b>Acceptable Appraisal Form</b>
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

## FNMA:

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 utilize 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



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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”.