



WHOLESALE ANNOUNCEMENT 2020-12

March 31, 2020

Guideline Updates

Clarifying updates sent out March 27, 2020
Minimum Credit Scores for Government Loans

*****Suspension of certain government programs announced 3/27/2020 on bulletin 2020-11 does NOT include Streamline Refinances with the exception of the 640 minimum credit score. The 640 minimum credit score applies to all government loans.*****

The following changes and/or flexibilities are effective immediately. Effective with the changes below to government loans, FCM is requiring a verification of employment to be completed within 3 business days on all loan programs.

VA:

[Lender Guidance for Borrowers Affected by COVID-19 Circular 26-20-10](#)

VA issued the above circular to provide guidance for Verification of Employment that has been impacted by COVID-19.

If you cannot satisfy VA's VOE requirements as outlined in Chapter 4 of Pamphlet 26-7, you may proceed with the below option. FCM is only allowing this option of the options VA provided:

1. Use employment and income verification third party services within 3 business days of the closing (fees cannot be charged to the veteran)

If the applicant was impacted by COVID-19 (i.e. furlough, curtailment of income, etc.), that period should not be considered a break in employment or income provided they have returned, or are anticipated to return, to work in the same capacity and income levels. In addition to standard verification documentation, applicants should provide furlough letters where applicable.



[Valuation Practices during COVID-19 Circular 26-20-11](#)

VA issued the above circular to provide guidance for Valuations that have been impacted by COVID-19. **FCM is adopting this without any overlay. Details are below:**

If the appraiser's assigned geographic jurisdiction does not have restrictions imposed (e.g. mandatory quarantine or shelter-in-place):

1. Purchase transactions for vacant properties will require an interior appraisal.
2. Purchase/Refinance transactions for occupied properties will require all parties to agree to the interior inspection, and the following conditions: neither party has (1) been instructed by a health authority to practice social distancing, (2) flu-like symptoms, (3) been quarantined by authorities, or (4) been designated high-risk by the CDC.

If either party does not wish to proceed with the interior inspection or they do not meet the conditions listed above, VA will accept an Exterior-Only appraisal with enhanced assignment conditions or Desktop appraisal. Lenders may not direct the appraiser to conduct an interior inspection. Both alternative valuation methods are limited to the maximum 2020 Freddie Mac Conforming Loan Limit for a one-unit limit for the county or county-equivalent area. In both instances, the appraiser must state, "Per Department of Veteran Affairs, no interior inspection was provided due to COVID-19."

1. Exterior Only appraisals require completion of the FNMA 2055/1075 URAR form or 1004C or 1025 form (Manufactured and multi-unit homes).
 - a. Purchases and Refinances require the review of the full exterior and must provide photos of all sides, measurements of the footprint of the home (if accessible), complete a detailed phone interview with the occupant, Veteran, or real estate professional regarding the property, and may utilize any and all photos available from MLS, the occupant, Veteran, or real estate professional.
2. Desktop Appraisals must be completed on the FNMA1004, 1073, 1004C, 2025 forms and include a scope of work.



- a. Purchases are prioritized over refinances and require the appraiser to define the scope of work and provide source of information.
 - b. Cash-Out Refinances require appraisers to determine if sufficient information is available and verifiable. Appraisers are not required to proceed with the assignment if adequate information is not available. The lender may choose to cancel the request, suspend the RLC or wait until the emergency is lifted.
 - c. Liquidations are ineligible for desktop valuations.
3. Reconsideration of Value (ROV) for purchase transactions will be restricted to no greater than 5 percent from the appraiser's opinion of value.
 - a. ROV is not available for cash-outs or liquidation transactions until further notice.
 4. In extreme cases where an appraiser is not available to complete an appraisal for a purchase, VA will issue a Memorandum of Value (MOV) on a case-by-case basis.
 5. Appraisers are to suspend Renovation and Repair assignments until further notice.
 6. Lenders have two evaluation options for Repair Inspections further outlined in the Circular, including certifying repairs instead of an appraiser certification.

The veteran and appraiser must inform the lender if they are experiencing flu-like symptoms or have tested positive for COVID-19.

If the appraiser is scheduled to complete an interior appraisal and the Veteran notifies the lender of a change in his/her or another occupant of the home's health, the lender must notify the appraiser immediately.

USDA:

On March 27, 2020 USDA released an update for temporary exceptions to interior inspection appraisal and verbal verification of employment in relation to COVID-19 Pandemic.

Effective immediately, the following exceptions are in place:



Residential Appraisal Reports – Existing Dwelling

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. 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. As a reminder, appraisals are not required for streamlined and streamlined-assist refinance transactions.

Verbal Verification of Employment

Document and verify the borrowers annual and repayment income in accordance with Agency regulations. Due diligence should be used in obtaining the most recent income documentation to reverify the borrowers repayment ability prior to closing. When you are unable to obtain a Verbal Verification of Employment (VVOE) within 3 business days of loan closing due to a temporary closure of the borrower’s employment, alternatives should be explored. For example, email correspondence with the borrower’s employer is an acceptable alternative to a VVOE. If unable to obtain a VVOE or acceptable alternative, the requirement will be waived when the borrower has a minimum of 2 months cash reserves.

In the case of a reduction of income, the borrower’s reduced income must be sufficient to support the new loan payment and other non-housing obligations. Borrower’s with no income at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.



FHA:

FHA Single Family Programs Impacted By COVID-19

Re-verification of Employment

FCM still requires a verification of employment to be completed within 3 business days of the closing.

Appraisals

Mortgagee Letter 20-05 allows single-family forward purchase transactions to utilize an optional exterior-only or desktop-only appraisal. These options are not available for new construction, construction to permanent, building on own lands, and 203(k) purchases.

FHA will accept exterior-only for traditional HECM, HECM-to-HECM refinance, rate and term refinance, and simple refinance transactions. This option is not available on cash-out refinances and 203(k) refinances. ***FCM does not accept HECM loans***

Exterior-only and desktop-only appraisals must be reported on the existing FHA-approved appraisal forms with amended certifications and scope of work disclosures. Fannie Mae 2055 and 1075 forms are not considered to be FHA-approved forms.

Tax Transcript requirement with USDA:

Tax transcripts are still required for USDA products. If unable to obtain, FCM is responsible for compliance with USDA requirements supporting the omission and should refer to the USDA Handbook. Please contact your manager for assistance.