



## DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-11 April 1,2020

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# Guideline Update

### *Conventional:*

[FNMA Updates LL-2020-03](#)

[FNMA Appraisals LL-2020-04](#)

[Freddie Updates Bulletin 2020-8](#)

**The following updates are effective immediately for DU and LP files unless differentiated below.:**

### **Age of documentation**

In order to ensure that the most up-to-date information is being considered to support the borrower's ability to repay, we are updating our age of documentation requirements for all loans (existing and new construction) as follows:

- We are modifying **age of document requirements from four months (120 days) to two months (60 days) for most income and asset documentation.** If an asset account is reported on a quarterly basis, the lender must obtain the most recently issued quarterly statement.
- When the lender receives employment and income verification directly from a **third-party employment verification** vendor, we are now requiring that the **information in the vendor's database be no more than 60 days old** as of the note date.
- There are no changes to the age of documentation requirements for military income documented using a Leave and Earnings Statement, Social Security, retirement income, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments, and the lender can continue to apply standard age of document requirements.
- Due to the federal income tax filing extension granted through Jul. 15, 2020, we are eliminating the following documentation requirements. These normally apply for income types that require copies of federal income tax

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returns when the mortgage has an application or disbursement date between Apr. 15th and Jul. 15th:

- a copy of the IRS Form 4868 (*Application for Automatic Extension of Time to File U.S. Individual Tax Return*), and
- IRS Form 4506-T (*Request for Transcript of Tax Return*) transcript confirming “No Transcript Available” for the 2019 tax year.

### **Verification of Self Employment**

When a borrower is using self-employment income to qualify, the lender must verify the existence of the borrower’s business within 120 calendar days prior to the note date. Due to latency in system updates or recertifications using annual licenses, certifications, or government systems of record, lenders must take additional steps to **confirm that the borrower’s business is open and operating**. The lender must confirm this **within 10 business days prior to the note date**.

Below are examples of methods the lender may use to confirm the borrower’s business is currently operating:

- evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment);
- evidence of current business receipts within 10 days of the note date (payment for services performed);
- lender certification the business is open and operating (lender confirmed through a phone call or other means); or
- business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

### **Stocks, Stock Options, and Mutual Funds**

In light of current market volatility, we are making the following updates when the borrower is using stocks, stock options, or mutual funds for assets:

- When used for down payment or closing costs, evidence of the borrower’s actual receipt of funds realized from the sale or liquidation must be documented in all cases.



- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

**Power of Attorney Additional Options**

FCM is in the process of reviewing this and will provide more information when available.

**Remote Online Notaries**

FCM is in the process of reviewing this and will provide more information when available.

**Flexibilities for new construction loans:**

For new construction properties where the appraisal is “subject to completion per plans and specifications,” and also when the property is 100% complete but an interior and exterior inspection appraisal cannot be completed, we will permit a desktop appraisal on the forms identified in the following table. These requirements apply to purchase transactions only and exclude all construction-to-permanent loans.

**FNMA:**

<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>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>
Two- to four-unit property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

To accommodate the desktop appraisal on the existing Fannie Mae forms, the revised scope of work, statement of assumptions and limiting conditions, and certifications must accompany the form. Additionally, as noted below, the



appraiser must identify a desktop appraisal was performed by populating the *Map Reference* field on the appraisal with “desktop.”

### Freddie Mac:

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	<a href="#">Guide Form 70, Uniform Residential Appraisal Report</a>
Condominium Unit	<a href="#">Form 465, Individual Condominium Unit Appraisal Report</a>
Cooperative Unit	<a href="#">Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report</a> <a href="#">↗</a>
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>

To accommodate the desktop appraisal using the existing Freddie Mac forms, the revised scope of work, statements of assumptions and limiting conditions provided as [Attachment A to Bulletin 2020-5](#) must accompany the form. Additionally, as stated in [Bulletin 2020-5](#), the appraiser must identify that a desktop appraisal was performed by populating the Map Reference field on the appraisal with "desktop."

### Documentation requirements for new construction loans

If construction of the property has not yet begun or is partially complete, and the appraisal report will be completed “subject to completion per plans and specifications,” the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
  - If construction has not yet begun, a photograph of the site and down the street in both directions
  - If construction is partially complete, a photograph is required of the following:
    - A front view of the subject property
    - A rear view of the subject property
    - A street scene (i.e., a photograph down the street in both directions)



- The following interior photos are required when construction is at a stage in which they are available
  - The kitchen of the subject property
  - All bathrooms of the subject property
  - The main living area of the subject property
  - Basement, including all finished rooms
- A copy of the complete, ratified sales contract, and all addenda

If construction of the property is 100% complete, and the appraisal report will be completed “as is,” the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
  - A front view of the subject property
  - A rear view of the subject property
  - A street scene (i.e., a photograph down the street in both directions)
  - The kitchen of the subject property
  - All bathrooms of the subject property
  - The main living area of the subject property
  - Basement, including all finished rooms
- A copy of the complete, ratified sales contract, and all addenda

### **Builder Certification**

The lender must obtain a signed [Builder Certification](#) attesting that the information provided is true and correct. This certification must be included in the loan file.

### **Completion reports for new construction properties**

For new construction properties where the appraisal report was completed “subject to completion per plans and specifications,” if the lender is unable to obtain a completed *Appraisal Update and/or Completion Report* (Form 1004D/442) as a result of COVID-19 related issues, we will accept the [Completion of Construction Certification](#).