



COVID-19 Frequently Asked Questions - Selling

Updated: Mar. 31, 2020

In response to the COVID-19 national emergency, Fannie Mae and Freddie Mac have provided temporary guidance to lenders on several policy areas to support [mortgage originations](#), [appraisals](#), and [quality control \(QC\)](#). These FAQs provide additional information on the temporary policies. We will be adding more FAQs, therefore we encourage you to check in frequently for updates – refer to the “**NEW**” or “**UPDATED**” notations after the question.

Mortgage Origination

Q1. Do Fannie Mae’s existing disaster policies in the *Selling Guide* and the *Servicing Guide* apply to the COVID-19 pandemic?

No, Fannie Mae’s existing policies related to disasters do not apply to loans impacted by COVID-19. Instead, lenders and servicers can follow the guidance in Lender Letters [LL-2020-02, Impact of COVID-19 on Servicing](#), [LL-2020-03, Impact of COVID-19 on Originations](#) and [LL-2020-04, Impact of COVID-19 on Appraisals](#). All guidance specific to COVID-19 will be communicated through Lender Letters and FAQ documents such as this.

Q2. Given the unprecedented and rapid instances of voluntary and mandated business closures, and the concerns over whether employees will continue to be paid, is updated income documentation required prior to closing?
UPDATED

Yes, in some cases income documentation may need to be updated. Refer to Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) for details.

Q3. If a recent paystub or bank statement is obtained in lieu of the verbal verification of employment (VOE), and the documentation evidences reduced hours and/or pay due to the pandemic, what are the next steps?

Continue to follow the requirements and guidance in the *Selling Guide* [Chapter B3-3](#) related to income stability and calculation. For example, for declining variable income, the requirements and guidance for declining income trends in the [B3-3.1-01](#), General Income Information are applicable. In those cases, the reduced amount of declining variable income can only be used for qualifying if it has since stabilized and there is no reason to believe the borrower will not continue to be employed at the current level. In no instance may income be averaged over the period of declination.

Q4. Are there acceptable alternatives if a lender is unable to obtain a verbal verification of employment (VOE)?

Yes, reference the guidelines and flexibilities announced in Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#).

Q5. Does the lender remain responsible for the representations and warranties related to the borrower’s employment status when using one of the verbal VOE flexibilities?

Yes. The lender’s representations and warranties related to the borrower’s employment status do not change. We are allowing certain documentation flexibilities due to the unique circumstances resulting from the COVID-19 pandemic to address the issue lenders have raised due to disruption of employer operations and their



inability to be reached by phone. Lenders are not required to use these flexibilities if they are not comfortable with them.

Q6. The borrower is self-employed and owns a business that is closed due to the pandemic. Can the income be used to qualify?

No, if the business is not operating, the income may not be used to qualify.

Q7. Can I use the requirements for income while on temporary leave?

Yes, refer to the requirements in the [B3-3.1-09](#), Other Sources of Income.

Q8. Does the tax deadline extension issued as a result of the COVID-19 emergency affect documentation requirements?

Lenders should continue to obtain the most recent year's tax return filed by the borrower as indicated in [B1-1-03](#), Allowable Age of Credit Documents and Federal Income Tax Returns. However, lenders are not required to obtain a copy of the IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS, until the point at which the tax deadline extension has expired. Accordingly, lenders are not required to review the total tax liability reported on IRS Form 4868 and compare it with the borrower's tax liability from the previous two years as a measure of income source stability and continuance.

Q9. Is there any impact to the Desktop Underwriter® (DU®) validation service for loans with income or employment validation?

If income or employment has been validated by the DU validation service, the validation will remain eligible for representation and warranty relief on income and employment provided the lender complies with the terms of the DU messages.

For employment validation, the lender must comply with the "close by" date in the DU message. Otherwise, the guidance in Lender Letter [LL-2020-03](#), *Impact of COVID-19 on Originations* related to obtaining a verbal VOE (or allowable alternative) would apply.

Q10. Can a closing agent or other affiliated party sign loan documents on the borrower's behalf using a power of attorney (POA)?

Yes. We have expanded the transaction types that are eligible for a party with a connection to the transaction to serve as attorney-in-fact, including an employee of the title insurance company providing the title insurance policy. In addition to limited cash-out refinances (which are currently permitted in the *Selling Guide*), this exception now also applies to purchase transactions.

All related requirements in [B8-5-05](#), Requirements for Use of a Power of Attorney must be met including the on-line, interactive internet session, the express statements required in the POA, and the prohibition against the attorney-in-fact being an employee of the lender.

In addition:

- For all transaction types, when the attorney-in-fact is an employee of the insuring title insurer or is an employee of the policy-issuing agent of the insuring title insurer, such title insurer must have issued a



closing protection letter (or similar contractual protection) for the transaction for such policy issuing agent.

- For purchase transactions, the attorney-in-fact or agent may not be the property seller, any relative of the property seller, or any direct or indirect employee or agent of the property seller, unless they are also a relative of the borrower.

The [POA Job Aid](#) contains detailed information on additional flexibilities and new requirements outlined in Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) for loans with documents signed subject to a power of attorney.

Q11. What are Fannie Mae’s requirements concerning “gap coverage” in lenders’ title insurance policies? UPDATED

The *Selling Guide* [Chapter B7-2](#) requires a loan title insurance policy that satisfies Fannie Mae’s requirements, written on the 2006 ALTA loan title insurance form or local equivalent, be obtained by a lender before a mortgage loan is sold to Fannie Mae.

The 2006 ALTA form includes “gap coverage” in Covered Risk 14 for matters arising between the date a mortgage loan is closed and when the mortgage is recorded. Similarly, if title insurance is obtained on an alternate form, the *Selling Guide* requires coverage be provided for the period between the closing date of the loan and the date when the mortgage is recorded.

Lenders must continue to ensure that no unacceptable title impediments or policy exceptions exist in accordance with [B7-2-05](#), Title Exceptions and Impediments.

Q12. Does Fannie Mae require deferred debt payments (for example, student loans, auto loans, etc.) to be considered in a borrower’s debt-to-income (DTI) ratio? NEW

Yes. Even if a borrower’s debt payments are temporarily suspended due to COVID-19 response, the lender must consider the payment in the borrower’s DTI ratio in qualifying for a mortgage loan. Refer to the requirements in the [B3-6-02](#), Debt-to-Income Ratios and [B3-6-05](#), Monthly Debt Obligations.

Q13. What should the lender do when informed of a change in the borrower’s pay structure? NEW

If the lender is notified that the borrower is transitioning to a lower pay structure, for example due to pending retirement, the lender must use the lower amount to qualify the borrower. See [B3-3.1-01](#), General Income Information; Continuity of Income.

Q14. Can borrowers still use trust accounts for down payment, closing costs, and reserves? NEW

Yes, lenders can continue to follow the requirements in the [B3-4.3-02](#), Trust Accounts. In addition, lenders must apply the age of document and other requirements and guidance in Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) for any market-based assets in the trust account required for the transaction.

Q15. Can a borrower waive the right to rescind on a refinance transaction? NEW

Fannie Mae does not set requirements around rescission periods. If a lender chooses to allow a borrower to waive the rescission period, they must follow and comply with applicable regulatory requirements.



Q16. Does Fannie Mae purchase loans that are in forbearance? NEW

No. During the forbearance, the borrower is not making payments and the loan is not eligible for sale to Fannie Mae.

Q17. Can lenders continue to use capital gains and interest and dividend income for qualifying a borrower? NEW

Yes, however, lenders should apply additional due diligence to capital gains and interest and dividend income since it is calculated using a historical view which may not be sustainable given current market volatility. While two years of tax returns are still required to demonstrate a stable history of capital gains and interest and dividends income, lenders must consider the current value of the underlying asset when evaluating income for qualifying purposes.

- If the current value of the asset indicates a reduced amount when compared to historical levels, the lender must use the lower amount provided it is deemed stable at the current level.
- If, due to continued market volatility, the lender cannot determine the income is stable at its current level, the income should not be used for qualifying purposes.
- In the event the current value of the underlying asset indicates an increased amount of capital gains or interest or dividends, the lender should continue to use a two-year average calculated using the borrower's tax returns.

Q18. Can subordination documents be remotely notarized? NEW

Yes, subordination documents can be remotely notarized provided the lender follows the requirements in the [A2-5.1-03](#), Electronic Records, Signatures and Transactions and Lender Letter [LL-2020-03](#), *Impact of COVID-19 on Originations*.

Q19. Are there any changes to the signature requirements for the promissory note? NEW

No. In accordance with [A2-5.1-03](#) Electronic Records, Signatures, and Transactions, unless the lender is approved to deliver eNotes, we require that the original wet signed promissory note be in the possession of the document custodian when the loan is certified for our purchase.

Appraisals

Q20. May a desktop or exterior only inspection appraisal report completed using the appraisal flexibilities offered by Lender Letter [LL-2020-04](#), *Impact of COVID-19 on Appraisals* include photos or other information provided by the borrower/owner?

Yes. Consistent with USPAP, appraisers are permitted to consider and develop any information deemed credible. It is important to note, certification #10 has been removed in recognition that the appraiser may have relied on information from an interested party to the transaction (borrower, realtor, property contact, etc.) and additional verification may not have been possible.

Q21. How will the appraiser be able to obtain subject photos for a desktop appraisal report?



Photos can be obtained from sources such as third-party websites, owners, or listing services, etc.

NOTE: Any use restrictions on photos must be honored.

Q22. What if adequate information is not available for the appraisal?

Appraisers may use information in MLS, reach out to the broker, homeowner, public records, and/or other online tools such as satellite imagery and street views to obtain the necessary property information. A good faith effort should be used to provide information that the appraiser believes is reasonable. If adequate information about the subject property is not available, the mortgage will not be eligible for sale to us until the appraiser has sufficient information to complete the desktop appraisal or an appraisal with an exterior-only inspection.

Q23. Why does Fannie Mae allow the desktop appraisal for purchase but not refinances? NEW

Homes available for purchase are the most likely to have current photos and data concerning the subject property. Refinances may have very dated information in the MLS, if any at all. Having the appraiser complete an exterior inspection provides current information about the home's condition that might not be available otherwise. Reminder, for refinances of non-Fannie Mae owned loans and all cash-out refinances, we continue to require a traditional appraisal.

Q24. What form should be used for a desktop appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals?](#)

As noted in Lender Letter [LL-2020-04](#), the following forms can be used to complete a desktop appraisal:

- *Uniform Residential Appraisal Report (Form 1004)*
- *Individual Condominium Unit Appraisal Report (Form 1073)*
- *Individual Cooperative Interest Appraisal Report (Form 2090)*
- *Small Residential Income Property Appraisal Report (Form 1025)*
- *Manufactured Home Appraisal Report (Form 1004C)*

Other desktop appraisal forms are not allowed for a Fannie Mae-eligible loan.

Q25. What form should be used for an exterior-only inspection appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals?](#)

As noted in Lender Letter [LL-2020-04](#), the following forms can be used to complete an exterior-only appraisal:

- *Exterior-Only Inspection Residential Appraisal Report (Form 2055)*
- *Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075)*
- *Exterior Only Individual Cooperative Interest Appraisal Report (Form 2095)*
- *Small Residential Income Property Appraisal Report (Form 1025)*
- *Manufactured Home Appraisal Report (Form 1004C)*

Other exterior-only or drive-by appraisal forms are not allowed for a Fannie Mae-eligible mortgage.



Q26. Why is Fannie Mae requiring the appraisal include the entry “desktop” in the Map Reference # field of the appraisal report?

This helps identify the scope of work completed. Because we are permitting desktop appraisals to be completed on forms that are typically used for interior and exterior inspection appraisals, we will be relying on the text in the Map Reference # field to identify the type of appraisal (desktop) completed. It is critical that the Map Reference # field show “desktop” when applicable.

Q27. Why is Fannie Mae requiring the appraisal include the entry “exterior” in the Map Reference # field of the appraisal report?

This helps identify the scope of work completed. Because we are permitting exterior-only appraisals to be completed on forms that are typically used for interior and exterior inspection appraisals, we will be relying on the text in the Map Reference # field to identify the type of appraisal (exterior-only) completed. It is critical that the Map Reference # field show “exterior” when applicable.

Q28. Will desktop appraisals still be scored by Collateral Underwriter® the same way?

Yes, desktop appraisals completed on Forms 1004 and 1073 will be scored by Collateral Underwriter just as traditional appraisals are scored when these forms are used.

Q29. Will mortgages with desktop appraisals be eligible for representation and warranty relief for value?

Yes. When a desktop appraisal is obtained using *Uniform Residential Appraisal Report* (Form 1004) , or *Individual Condominium Unit Appraisal Report* (Form 1073) , and submitted to Uniform Collateral Data Portal® (UCDP®), the appraisal will be assessed for valuation representation and warranty relief in Collateral Underwriter. All appraisals with a risk score of 2.5 or less that meet the requirements of the *Selling Guide* will receive valuation representation and warranty relief.

Q30. How should an appraiser include the revised scope of work, statements of assumptions and limiting conditions, and appraiser’s certifications in the appraisal report?

The modified scope of work, statements of assumptions and limiting conditions, and appraiser’s certifications addressed in the Lender Letter must be copied and pasted, in its entirety, into a text addendum, with no edits or alterations. This may be done on a separate text addendum form, or as part of a general text addendum.

Q31. Must a desktop appraisal or exterior-only inspection appraisal report be submitted “subject to” an extraordinary assumption?

The revised scope of work and certification removes the requirement for the appraisal to be submitted “subject to” an extraordinary assumption. If adequate information about the subject property is not available from a credible source, then the desktop or exterior-only inspection appraisal is not acceptable. Appraisers must have data sources they consider reliable. The assumption that data sources are correct is not considered an extraordinary assumption.

Q32. Lender Letter [LL-2020-04](#), *Impact of COVID-19 on Appraisals* says that reports for desktop appraisals must include subject photos. What photos are required?

At a minimum, there must be a front photo of the subject property. Additionally, in order to pass through automated review systems used by many lenders and AMCs, it may be necessary for the report to include all



photos required for an appraisal based on an interior and exterior inspection. In such cases, an appraiser should include all photos that are available.

Except for the required front photo, for photos that are not available, an appraiser may include a photo of a statement saying that the photo was not available.

Q33. Does an appraisal report have to include subject property and comparable sales photos when the report is an exterior-only appraisal assignment?

An exterior only appraisal must include a front photograph of the subject on a subject photo page. The appraiser may use photos obtained from credible and reliable sources to represent the subject and comparables used on the appraisal. Although not required the presence of a comparable photos page, with images, may be necessary to allow the appraisal report to pass automated review systems.

Q34. Are manufactured homes and two- to four-unit properties covered even though there is no exterior-only appraisal form to support them?

We will allow lenders to use Interior/Exterior forms for two- to four-unit and manufactured homes with the appropriate scope of work, statements of assumptions and limiting conditions, and appraiser's certifications provided with Lender Letter [LL-2020-04](#), *Impact of COVID-19 on Appraisals*.

Q35. Manufactured home appraisals require specific, and detailed information from the HUD Certification Label. How will the appraiser obtain this information for desktop appraisals and exterior-only inspection appraisals?

For exterior-only inspection appraisals, the appraiser may obtain a photo of the HUD Certification Label, provided they are given permission by the property owner to access the site. For a desktop appraisal, the appraiser may request the owner or an individual that has access to the property to provide a photo of the HUD Certification Label and deliver it via email or other means to the appraiser.

With both the desktop and drive-by appraisal, the appraiser may request the borrower, owner, or an individual that has access to the property interior to provide a photo of the HUD Data Plate. The appraiser will need to communicate with the lender or AMC to ensure there is sufficient information available to complete the assignment type ordered.

Q36. When obtaining a desktop or exterior only appraisal, does the lender need to document that that they attempted to obtain a traditional appraisal and were not successful due to COVID-19?

No. Lender Letter [LL-2020-04](#), *Impact of COVID-19 on Appraisals*, lists the appraisal types that are suitable for each transaction type while maintaining prudent and responsible lending practices. Lenders delivering mortgages with one of the permitted flexibilities are not required to provide documentation showing that they could not obtain a traditional appraisal due to COVID-19. Lenders are empowered to exercise the flexibilities as described in the lender letter.

Q37. How should a lender address markets with “shelter in place” mandates where appraisers are not deemed an essential workforce?

Lenders may use flexibilities described in our lender letter. Travel restrictions will likely vary from location to location, and lenders and appraisers should comply with all applicable requirements in their jurisdiction. There may be instances where an appraisal simply cannot be obtained until circumstances change.



Q38. Does an appraisal that includes the revised scope of work, statements of assumptions and limiting conditions, and appraiser's certifications provided in Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals](#) also need an extraordinary assumption to address when information was provided by a party that may have a financial interest in the transaction?

No. As stated in Lender Letter [LL-2020-04](#), the appraiser's certification #10 was removed recognizing that the appraiser may have to rely on information from an interested party to the transaction (borrower, real estate agent, property contact, etc.) and additional verification may not be possible. The removal of this certification acknowledges this could affect the assignment's results. If adequate information is not available to complete the appraisal, the appraisal cannot be completed.

Q39. For purchase transactions, Fannie Mae's temporary requirements are dependent on mortgage LTV ratios which may be difficult for lenders to operationalize. Does Fannie Mae have any suggestions on how to manage this operational challenge?

Each lender will need to operationalize as they deem appropriate. In cases where the lender is reasonably certain they will not be able to obtain an interior and exterior inspection appraisal, some lenders use the sales contract price in order to estimate the LTV ratio prior to ordering the appraisal.

Q40. What guidance can lenders provide to appraisers who claim it is a violation of USPAP to complete a desktop appraisal using forms designed for traditional appraisals, like the Form 1004/70?

The Appraisal Standards Board has issued guidance specific to this topic. They indicate that, with proper disclosure, the modified appraisal report form does not result in a misleading appraisal report or a violation of USPAP. The published Q&A can be found on [The Appraisal Foundation](#) website.

Q41. If a desktop appraisal is ordered and accepted by the appraiser, may the appraiser expand the scope of work to include an exterior inspection of the subject property or comparable sales? In this situation, what identifier would the appraisal include in the Map Reference # field? **NEW**

Yes. The appraiser is responsible for determining what is an adequate scope of work for any assignment and may choose to expand the scope beyond the minimum requirements. In this instance, the appraiser would enter "desktop" as this reflects the appraisal type agreed to with the acceptance of the assignment and the minimum scope of work required for the assignment.

Q42. Are lenders permitted to submit an appraisal with an exterior-only inspection on forms 1004, 1073, or 2090? **NEW**

No, the exterior-only inspection appraisals permitted in accordance with the temporary flexibilities announced in Fannie Mae Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals](#) must be completed on the following appraisal forms:

- *Exterior-Only Inspection Residential Appraisal Report (Form 2055)*
- *Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075)*
- *Exterior Only Individual Cooperative Interest Appraisal Report (Form 2095)*
- *Small Residential Income Property Appraisal Report (Form 1025)*
- *Manufactured Home Appraisal Report (Form 1004C)*



Quality Control

Q43. **If my company is not having issues performing reverifications at this time, do I have to implement these flexibilities?** NEW

No. Only implement the flexibilities offered in Lender Letter [LL-2020-03](#), *Impact of COVID-19 on Originations* if needed by your firm.

Q44. **In lieu of a field review, how should the QC reviewer evaluate the appraisal?** NEW

In conjunction with this relief, Fannie Mae has developed a [checklist](#) to help your QC reviewer appropriately evaluate this population of appraisals.

Q45. **Am I required to use the checklist developed by Fannie Mae to evaluate the appraisal in lieu of a field review?** NEW

Use of the [checklist](#) is not mandatory but provides recommended areas to focus your QC reverification review of the appraisal.

Q46. **By completing the checklist in lieu of a field review, do we receive relief from representations and warranties?** NEW

No, this process is designed as an alternative to the post close QC field review and as such does not provide any new or additional relief from representations and warranties.

Q47. **What if I cannot obtain tax transcripts that are required as part of my post-closing QC process?** NEW

If verbal or electronic reverifications cannot be completed, lenders can complete the file review without the reverification. However, lenders must:

- internally track all loans that did not have a successful reverification attempt during this time, and
- conduct a special discretionary sample of such mortgages and perform the required reverifications on the sample population upon the expiration of the flexibilities contained in Lender Letter [LL-2020-03](#), *Impact of COVID-19 on Originations*

As a reminder, the reporting requirements of [D1-3-06](#), Lender Post-Closing Quality Control Reporting, Record Retention, and Audit continue to apply with respect to this special discretionary sample(s).

Reminder: Lenders should prioritize execution of IRS Form 4506-T in the special discretionary sample(s) based on the expiration date of the IRS Form 4506-T.

Q48. **Lender Letter [LL-2020-03](#), *Impact of COVID-19 on Originations* requires a special discretionary selection if we utilize the reverification flexibilities. Is there a required sample size?** NEW

This sample should take into consideration the lender's assessment of the risks, business source and volume. Ensure the sample size selected is meaningful relative to the risk evaluation. As a reminder, reverifications are a critical element of the post close QC process in assessing the factualness of information that was relied upon in making the lending decision.



Q49. **Do the flexibilities provided in Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) apply to QC Vendors?** **NEW**

QC Vendors act as agents for lenders and should only adopt these flexibilities based on guidance from their lender customer.

Q50. **Will a loan entering early payment default status result in an automatic repurchase request?** **NEW**

No, we will follow existing QC practices to review any sampled loan against the requirements of the *Selling Guide* and any other agreements in place at the time of delivery to us. Remedies for any identified defects will be issued in accordance with the Guide.