



# COVID-19 Frequently Asked Questions - Selling

**Updated:** May 05, 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. 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.

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## Resources

As a reminder, we have published [Selling](#), [Appraisal](#), and [Servicing](#) Lender Letters, [delivery-related guidance](#) (including FAQs) and helpful information regarding policies related to COVID-19. Other resources are available on our [corporate site](#).

## FAQs

### General

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

No, Fannie Mae’s existing policies related to disasters do not apply to loans impacted by COVID-19. Instead, lenders can follow the guidance in Lender Letters [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.

Also, note that loans in forbearance due to COVID-19 are not subject to the disaster-related forbearance policies in [A2-3.2-02, Enforcement Relief for Breaches of Certain Representations and Warranties Related to Underwriting and Eligibility](#).

Q2. **Will Fannie Mae be extending the implementation timeline for the revised Form 1003 and related data set?**



On Apr. 14, 2020 we [announced](#) that we will extend our implementation timeline for the redesigned URLA and automated underwriting systems (AUSs) to support the industry during the COVID-19 pandemic. The new mandate date for the use of the redesigned URLA and AUS specifications is Mar. 1, 2021. The extension provides lenders and other stakeholders additional time to prepare and implement the redesigned URLA (Fannie Mae Form 1003).

## Underwriting

**Q3. 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?**

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.

**Q4. 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? UPDATED**

For reduced hours or pay, 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.

**Q5. If a VOE indicates the borrower is actively employed, but borrower discloses they are furloughed, what are the next steps? NEW**

The income may not be used for qualifying. A borrower who is furloughed or laid off is not considered to be actively employed. See Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) for details.

**Q6. Are there acceptable alternatives if a lender is unable to obtain a verbal (VOE)?**

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

**Q7. 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.

**Q8. 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.



Q9. **Can I use the requirements for income while on temporary leave? UPDATED**

Certain types of temporary leave may be eligible for qualifying. See [B3-3.1-09](#), Other Sources of Income; Temporary Leave Income. However, please note that furloughed borrowers are currently ineligible under the temporary leave policy. See Lender Letter LL-2020-03.

Q10. **If the borrower is furloughed but continues receiving income for a specified period of time, such as four weeks, can the income be used for qualifying? NEW**

No. This income is not stable, predictable, or likely to continue and therefore does not meet the requirements in *Selling Guide* [B3-3.1-01](#), General Income Information; Continuity of Income.

Q11. **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.

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?**

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? UPDATED**

If the lender is notified that the borrower is transitioning to a lower pay structure, it must apply due diligence in determining the qualifying income amount. For example, if an employer lowers a borrower's base salary, the lender must use the lower amount for qualifying. Or if an employer reduces a borrower's potential for *variable* income, for example with a decreased bonus payment plan, additional analysis must be conducted to determine whether the new income amount can be used for qualifying. See [B3-3.1-01](#), General Income Information.

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

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 lenders continue to use capital gains and interest and dividend income for qualifying a borrower?**

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.

**Q16. Does the lender need to consider a Paycheck Protection Program (PPP) loan when analyzing a self-employed borrower? NEW**

The PPP is a loan issued by Small Business Administration lenders under the CARES Act. These loans are designed to provide a direct incentive for small businesses to keep their workers on the payroll. The existence of a PPP loan could be helpful information in analyzing the borrower's business. Lenders should apply due diligence and review the actions of the business and any impact the current situation has taken on the flow of income.

**Q17. Does the lender need to consider a Paycheck Protection Program (PPP) loan in the borrower's DTI? NEW**

Under the CARES Act, PPP loan terms allow deferred payments for a specified period, no personal loan guarantee, and the potential for all or some portion of the loan to be forgiven. Therefore, no payments would be expected to be included in the borrower's liabilities at this time. Once it has been determined that any portion of the PPP loan must be repaid, follow the *Selling Guide* requirements for loans paid by a business.

**Q18. How do the temporary age of document requirements in LL-2020-03 impact single-closing construction-to-permanent transactions? NEW**

For single-closing construction-to-permanent mortgages with loan applications dated during the timeframe covered in Lender Letter LL-2020-03, unless the loan meets the requirements for the extended 18 month timeframe permitted in the *Selling Guide*, the 60-day age of income and asset document requirements stated in the Lender Letter apply at both the time of the original closing date of the construction loan and the time of conversion to permanent financing. For loans meeting the 18 month extended timeframe requirements, the age of document requirements apply at the time of original loan closing only.

## DU Validation Service

**Q19. Why are we temporarily suspending representation and warranty relief for employment validation? NEW**

The COVID-19 pandemic has caused job loss, income reduction, and other issues impacting businesses and borrowers. This change along with the other temporary changes to the DU validation service announced in the [DU Release Notes](#) on Apr. 9, including age of documentation requirements and use of market-based assets, are part of broader measures put into place to continue to provide sustainable homeownership opportunities while managing risk prudently.

**Q20. What changes can lenders expect to see in DU? NEW**



The Desktop Underwriter® (DU®) validation service will temporarily suspend representation and warranty relief for employment validation. The standard DU verbal VOE (VOE) message will appear in the DU Underwriting Findings (Findings) report, even if an VOI/VOE report is submitted to DU. The DU Findings report will suppress the DU validation service message that would normally appear for “employment validated.” This update will apply to all new casefiles created in DU on or after May 4, 2020.

**Verbal VOE message example:** Perform and document a verbal VOE for each borrower. For all borrowers who are not self-employed no more than 10 business days prior to the note date, or self-employed within 120 calendar days prior to the note date. Direct verification by a third-party employment verification vendor is acceptable if completed within the same timeframes, and the information is not more than 35 days old (120 days old if self-employed) as of the note date. If the borrower is in the military, obtain either a Military Leave and Earnings Statement within 31 calendar days prior to the note date or a VOE through the Defense Manpower Data Center (<https://mla.dmdc.osd.mil/mla/#/home>). Lenders also have the option of obtaining the verbal VOE after the note date (and prior to delivery of the loan to Fannie Mae), but when using this option must ensure compliance with the *Selling Guide*.

**NOTE:** Lenders should reference the *Selling Guide* and [LL-2020-03](#) flexibilities to satisfy the verbal VOE requirement message. Employment verification reports provided by third-party vendors are acceptable for verbal employment verification requirements.

**Q21. Can third-party verification reports still be used for verbal VOE? NEW**

Yes. Lenders can still obtain an automated VOE as a way to gain efficiencies in the loan manufacturing process. Employment verification reports provided by third-party vendors are acceptable for verbal employment verification requirements, per the *Selling Guide* [B3-3.1-07](#), Verbal Verification of Employment.

**Q22. What loan casefiles will be impacted by this temporary change? NEW**

Only loan casefiles created on or after May 4, 2020 will be impacted. Loans created before May 4 and resubmitted to DU after May 4 will not be impacted.

**Q23. How does suspending representation and warranty relief for employment validation impact income validation? NEW**

We will continue to offer income validation with representation and warranty relief through DU. When a borrower’s income is validated through DU, the lender can rely on DU’s income validation provided the close-by date is met. In addition, DU will continue to review the employment status on the VOI/VOE report and will not validate income if there is any indication that employment is not active. When income is validated, lenders must follow the close-by dates and instructions issued in the income validation DU messages and the *Selling Guide* to obtain representation and warranty relief.

Because income validation for a borrower is still dependent on the borrower being employed, lenders should continue to verify the employment of the borrower as near to closing as possible and in accordance with the *Selling Guide*. If the lender discovers that the borrower is no longer employed, the associated income can no longer be considered in the qualification of the borrower, and the employment and associated income information should be removed from the 1003 and the casefile should be resubmitted to DU.

**Q24. Will DU still process VOE/VOI reports? NEW**

Yes. DU will still process VOE/VOI reports to issue income validation.



Q25. **What DU message changes can lenders expect?** NEW

During this time, DU will no longer issue the “employment validated” message. Instead, DU will issue the standard “verbal verification of employment” message for all casefiles. Lenders can expect to see combinations of the “employment not validated,” “income validated,” and “income not validated” messages, along with the verbal VOE message.

For technology considerations, an Integration Impact Memo will be posted on the [Technology Integration page](#).

Q26. **What is the plan to reinstate employment validation with representation and warranty relief?** NEW

We will continue to monitor the economic environment closely. Currently, we expect to reinstate representation and warranty relief for employment validation after Jun. 30, 2020.

Q27. **Does the temporary flexibility allowing lenders to use bank statements or other alternatives to verify a borrower’s employment status still apply?** NEW

Yes. The flexibilities outlined in [LL-03-2020](#) under “Verbal verification of employment” continue to apply for loans with application dates subject to the terms of the Lender Letter.

Q28. **How should lenders apply the temporary policy on age of documentation to third-party vendor employment or income verification reports that are not used as part of the DU validation service?**

Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) did not change the age of documentation requirements for third-party vendor **employment verifications**. Therefore, lenders must continue to comply with the requirements in [B3-3.1-07, Verbal Verification of Employment](#), which require the *vendor report date* to be no more than 10 days prior to the note date, and the *information in the vendor’s database* (For example, “current as of” date) to be no more than 35 days prior to the note date.

Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) did update the age of documentation requirements for third-party vendor **income verifications**:

- For loan applications prior to Apr. 14, 2020, the *vendor report date* must be no more than 120 days prior to the note date.
- For loan applications on or after Apr. 14, 2020 through May 21, 2020, the *information in the vendor’s database* (For example, “current as of” date) must be no more than 60 days prior to the note date.

Note: The above guidance does not apply to loans with employment or income validated with the DU Validation Service. See [B3-2-02](#), DU Validation Service for more information.

## Appraisals

Q29. **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.

**Q30. 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.

**Q31. 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.

**Q32. Why does Fannie Mae allow the desktop appraisal for purchase but not refinances?**

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.

**Q33. 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.

**Q34. 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.

**Q35. 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.

**Q36. 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.

**Q37. 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.

**Q38. 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.

**Q39. 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.

**Q40. 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.





**Q41. 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.

**Q42. 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.

**Q43. 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](#).

**Q44. 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.

**Q45. 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.

**Q46. 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.

**Q47. 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 assignment cannot be completed.

**Q48. 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.

**Q49. 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.

**Q50. 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?**

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.

**Q51. Are lenders permitted to submit an appraisal with an exterior-only inspection on forms 1004, 1073, or 2090?**

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)*

**Q52. Given the appraisal flexibilities provided in Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals](#), how will Fannie Mae perform post-purchase quality control reviews on the exterior-only inspection appraisal report and desktop appraisal reports?**

When Fannie Mae performs quality control or any other post purchase reviews on these appraisal reports, they will be based on the modified scopes of work for the exterior-only inspection appraisal reports and desktop appraisal reports, respectively. The appraiser's description of the subject property must be complete, and the opinion of the market value of the subject property must be adequately supported. The review will include an assessment of whether there are property deficiencies, including those impacting safety, soundness, or structural integrity, that were reasonably discoverable in the normal course of business as of the effective date of the appraisal, given the applicable scope of work.

**Q53. For new construction appraisals completed using the flexibilities in Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals](#), does a builder have to provide bedroom photographs for dwellings that are complete to at least the drywall stage?**

Yes. In addition to the plans, specification and other photograph exhibits, a builder must provide photos of the bedrooms to the appraiser.

**Q54. In Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals](#), Fannie Mae provided appraisal flexibility for new construction purchase transactions by allowing for completion of "desktop" appraisals. Is this flexibility available for all new construction purchase transactions, including second homes?**

No. New construction purchase transactions are subject to the requirements provided in [LL-2020-04](#), including all requirements in the permissible appraisal requirements chart. Therefore, second homes with an LTV greater than 85% require a traditional appraisal report.

**Q55. For mortgages that require interior and exterior inspection appraisals, would the use of technology like Skype, FaceTime®, etc. be sufficient to meet the requirement for an appraiser's physical inspection?**

No. The *Uniform Residential Appraisal Report* (Form 1004) (along with the 1073, 1004c, 1025, and 2090) require the appraiser to certify "I performed a complete visual inspection of the interior and exterior areas of the subject property." Virtual inspections are insufficient to comply with our Form 1004 and other interior/exterior appraisal form requirements.

Appraisers are free to voluntarily deploy this technology as a means of augmenting the exterior-only (in combination with a drive by inspection from the street) and/or desktop appraisal flexibilities we announced for COVID-19. Appraisers must describe these as either "desktop" or "exterior", as the case may be.

**Q56. Using the COVID-19 appraisal flexibilities for a desktop appraisal report, what information must the appraiser include in the Map Reference field?**

For a desktop appraisal report, the Map Reference field must ONLY contain "desktop." No other entries may be included in this field. It is the lender's responsibility to ensure the appraisal is accurately reported.

**Q57. Using the COVID-19 appraisal flexibilities for an exterior-only appraisal report, what information must the appraiser include in the Map Reference field?**



For an exterior-only appraisal report, the Map Reference field must ONLY contain “exterior.” No other entries may be included in this field. It is the lender’s responsibility to ensure the appraisal is accurately reported.

**Q58. Can “virtual” inspections provided by a vendor or homeowner be used to complete the Completion Report (1004D) required to remove recourse on Homestyle® Renovation loans?**

No. We require an independent on-site inspection by the appraiser for a Homestyle Renovation loan to qualify for recourse removal.

**Q59. As a lender, we used the flexibilities in Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals](#) and engaged a desktop appraisal. However, the appraiser expanded the scope of work and viewed the subject and comparable sales from the street. The appraisal report also included interior photos provided by the borrower. What should the appraiser enter into the Map Reference field?**

On a desktop assignment, nothing precludes the appraiser from expanding the scope of work; however, the Map Reference field must reflect “desktop” as it represents the minimum scope of work.

**Q60. In Lender Letter [LL-2020-04, Impact of COVID-19 on Appraisals](#), we stated that when an appraisal is completed “subject to repairs or alterations” a signed letter from the borrower confirming that the work was completed is allowed. Can the requirements of this letter be provided via email?**

The lender is responsible for ensuring this letter and supporting documentation is in the mortgage file. The borrower and lender can use electronic means of communication, for example email, to transmit the signed letter and verification documentation.

**Q61. Does DU identify Fannie Mae-owned loans?**

Lender Letter [LL-2020-04](#) specified temporary flexibilities that lenders may apply to limited cash-out refinance transactions when the loan being refinanced is owned by us. To assist lenders in applying these flexibilities, beginning Apr. 11, 2020, DU will issue a new message stating that the borrower's existing loan has been identified by DU as a Fannie Mae loan. This message will be issued on limited cash-out refinance loan casefiles when DU finds an active Fannie Mae first mortgage loan for the subject property address, and also confirms that the Social Security number (SSN) of at least one of the borrowers on the loan casefile matches one of the SSNs on the existing loan.

## Power of Attorney (POA)

**Q62. Can a closing agent or other affiliated party sign loan documents on the borrower’s behalf using a 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 purchase and limited cash-out refinance transactions, 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.

**Q63. If applicable law requires acceptance of a power of attorney, do the provisions of the *Selling Guide* and Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) on powers of attorney apply?**

Under *Selling Guide* [B8-5-05, Requirements for the Use of a Power of Attorney](#), and as noted in [LL-2020-03](#), requirements of applicable law regarding a lender’s obligation to allow use of a power of attorney always have priority over the terms of Fannie Mae policy. If a power of attorney is used because the lender determines such use is required by applicable law, the lender must include in the mortgage loan file a written statement that explains the circumstances. Such statement must be provided to the document custodian with the power of attorney.

**Q64. It is not always possible to obtain a closing protection letter, for example, as in the state of New York. What specific documentation would a lender be required to obtain?**

There are a number of states where closing protection letters are not permitted by insurance regulators. In these cases, an alternative contractual indemnity that provides equivalent protection against title agent misuse of the power of attorney or funds must be confirmed. This can include, for example, indemnity provisions in the agreement between the lender and the settlement provider, or an employee fidelity bond maintained by the title insurance agency. In some states, there are statutory protection schemes; these would also meet the requirements of the lender letter.

**Q65. The guidance in Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) introduces a new requirement for purchase transactions closing subject to a power of attorney, requiring borrower confirmation of the loan terms with the borrower. When does this requirement apply?**

Except for situations described in the next sentence, the requirement for borrower acknowledgement (in person or via telephone conversation or a video conference system) of his or her understanding of the loan terms applies to all purchase transactions, regardless of who is serving as attorney-in-fact. However, for purchase (as well as limited cash-out refinance transactions) where the attorney-in-fact is a person “connected to the transaction” listed in [B8-5-05, Requirements for the Use of a Power of Attorney](#), then the existing processes in B8-5-05 are mandatory, and there is no need for any further borrower acknowledgment.

The new borrower acknowledgment requirements only apply to borrowers signing by a power of attorney. If a borrower signs personally, and another borrower signs via a power of attorney, then no acknowledgment by any borrower signing personally is required by Lender Letter [LL-2020-03](#).

**Q66. What, specifically, needs to be reviewed with the borrower during the borrower acknowledgement conversation, and what is meant by the acknowledgment being “memorialized”?**



The purpose of the borrower acknowledgement provision is to confirm orally after receiving the Closing Disclosure that the borrower understands both the key features of the loan and that the attorney-in-fact has the ability to contractually bind the borrower to the transaction – including the purchase of a home – on the same basis as if they had signed themselves.

Key features of the loan would include such things as principal amount, interest rate and adjustment provisions (if applicable), first payment date, loan term, and initial loan payment (P&I and PITIA).

The conversation reflecting the acknowledgment by the borrower(s) must be documented either in a written record created by the lender or settlement agent or in a recording capturing the conversation with the borrower. If documented in writing, there is no expectation that the borrower sign the memorialization. In either case, the lender must retain the acknowledgement in the loan file and make it available to us on request.

## Notarization

**Q67. Was there a methodology for determining the states that are acceptable in the remote online notarization (RON) grid?**

For states without an express and currently effective RON statute, we assessed the overall likelihood of that state’s recognition of valid RON acts performed out of state, and looked at a number of factors, including governors’ executive orders, applicable state laws, and applicability of the Full Faith and Credit clause of the U.S. Constitution (and any exceptions to its application). The state list was aligned with Freddie Mac.

The passage of a federal law is also contemplated in the language and would potentially supersede the need for state-by-state analysis.

**Q68. Will Fannie Mae update the RON grid for states that have executive orders or state law issued since publication?**

We are actively reviewing any additional governors’ executive orders and any state laws since publication, along with any related federal laws, and we will update the grid as needed.

Based on our review of additional governors’ executive orders, lenders may sell loans with remotely notarized loan documents in the additional states listed below, on the terms and conditions noted in Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#):

- Arkansas
- Georgia
- Hawaii

Note: Lenders are still responsible for reviewing and complying with all state laws related to remote online notarization transactions; ensuring that any recordable documents can be recorded properly; and receiving a title policy without exception, all as further described in Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#).

**Q69. What does “maintain the recording of the notarial ceremony for the life of the loan” mean for storage by lenders?**



The requirements are not prescriptive about how this must be stored, but lenders must be able to have the ability to access the notarial ceremony upon our request. Lenders may develop their own system or rely on a vendor's capabilities to satisfy this requirement.

Note: the minimum requirements for the system used for remote notarization include a separate storage of the notarial ceremony. This storage must be for the minimum period required by applicable laws or seven years, if no period is specified in the applicable laws.

**Q70. Can a lender use RON to close loans that include wet-ink signed documents, including notes that are not eMortgages?**

Yes, lenders may employ RON methods to sign and notarize loan documents in accordance with the terms and conditions in Lender Letter [LL-2020-03, Impact of COVID-19 on Originations](#) in transactions where the transaction includes a promissory note (and other closing documents) that are wet-ink signed. As a reminder, sellers can only deliver electronically signed eNotes if they have previously been approved by Fannie Mae.

Further, note that powers of attorney may be notarized using RON methods and the [POA Job Aid](#) contains detailed information on these requirements outlined in [LL-2020-03, Impact of COVID-19 on Originations](#).

**Q71. Can subordination documents be remotely notarized?**

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](#).

**Q72. Are lenders permitted to deliver loans where the notarizations have been performed via use of audio-video technology (for example, Zoom, Skype, or FaceTime®) to help facilitate what would otherwise be a traditional paper-based closing?**

Yes. Lenders may sell loans with loan documents that have been notarized using audio-visual technology (such as Zoom, Skype, or FaceTime®) to facilitate an in-person ink-signed notarization (a remote in-person notarization or "RIN"), on the following terms and conditions:

- The RIN has been expressly authorized under applicable law.
- The RIN is performed in accordance with and is legally valid under the laws and regulations of the state in which the notarization is performed, at the time it was performed.
- The borrower or person whose signature is being notarized and the notary are physically located in the state where the notarial act is performed.
- The loan is not a Texas Section 50(a)(6) loan.
- The loan is delivered with a Special Feature Code 920 identifying the loan as a RIN.
- If the loan document is required to be recorded, then the county recorder in the state and county where the property is located must accept the RIN document for recording.
- The lender makes all selling representations and warranties per the *Selling Guide*, including representations and warranties related to:
  - clear title and first lien enforceability;
  - compliance with laws and responsible lending practices; and



- requirements regarding title insurance, including those in [B7-2-04](#), Special Title Insurance Coverage Considerations. If the notarized document is a security instrument or an amendment to a security instrument, the RIN must comply with the title requirements in [B7-2-04](#) and the title insurance company may not take any exception for the RIN.

Lenders may also wish to refer to the [RIN Job Aid](#) that reflects minimum standards that Fannie Mae believes represent prudent closing processes when using RIN that we encourage (but do not require) lenders to follow.

## Closing and Title

### Q73. **Can a borrower waive the right to rescind on a refinance transaction?**

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.

### Q74. **Do lenders still need to have each borrower whose income (regardless of income source) is used to qualify for the loan to complete and sign a separate IRS Form 4506-T at or before closing?**

Yes, lenders are still required to have each borrower whose income (regardless of income source) is used to qualify for the loan to complete and sign a separate IRS Form 4506-T at or before closing. Refer to [B3-3.1-06](#), Requirements and Uses of IRS Request for Transcript of Tax Return Form 4506-T.

### Q75. **Are there any changes to the signature requirements for the promissory note?**

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-ink signed promissory note be in the possession of the document custodian when the loan is certified for our purchase.

### Q76. **Does Fannie Mae permit an electronic signature by a borrower on a promissory note that is not an eMortgage?**

No, a wet-ink signature is required for all promissory notes, unless the promissory note is an electronic note sold in accordance with *Selling Guide* [A2-5.1-03](#), Electronic Records, Signatures, and Transactions. Lenders that are approved to deliver eMortgages may refer to the [Guide to Delivering eMortgages to Fannie Mae](#) for additional information.

### Q77. **What are Fannie Mae's requirements concerning "gap coverage" in lenders' title insurance policies?**

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.





## Quality Control

**Q78. If my company is not having issues performing reverifications at this time, do I have to implement these flexibilities?**

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

**Q79. In lieu of a field review, how should the QC reviewer evaluate the appraisal?**

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

**Q80. Am I required to use the checklist developed by Fannie Mae to evaluate the appraisal in lieu of a field review?**

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

**Q81. By completing the checklist in lieu of a field review, do we receive relief from representations and warranties?**

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.

**Q82. What if I cannot obtain tax transcripts that are required as part of my post-closing QC process?**

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.

**Q83. 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?**

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.



Q84. **Do the flexibilities provided in Lender Letter [LL-2020-03](#), *Impact of COVID-19 on Originations* apply to QC Vendors?**

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

Q85. **Will a loan entering early payment default status result in an automatic repurchase request?**

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.

Q86. **When should a lender take advantage of the temporary reverification flexibility announced in Lender Letter [LL-2020-03](#), *Impact of COVID-19 on Originations*?**

This flexibility is offered for lenders that may not have the ability to mail manual reverifications or the electronic service they utilize is not available for processing during the coronavirus pandemic. In such case, a lender can complete the file review without attempting the reverification, provided the lender meets the tracking and sampling requirements set forth in [LL-2020-03](#).

Q87. **Are IRS Form 4506-T requests included in the temporary flexibility announced in Lender Letter [LL-2020-03](#), *Impact of COVID-19 on Originations* for reverifications that are typically mailed?**

Yes, Form 4506-T requests are included.

Q88. **How should lenders treat IRS Form 4506-T requests that are “in process” but have been delayed?**

An IRS Form 4506-T that has been delayed should be treated as a reverification flexibility; however, when the IRS resumes operations and the tax transcript is obtained, a lender may remove the loan from the special discretionary sample selection required for reverification flexibilities.

## Selling Loans in Forbearance

Q89. **Does Fannie Mae purchase loans that are in forbearance?**

Yes, certain loans that go into forbearance after loan closing and before sale to us are eligible for sale beginning May 1, 2020. Refer to Lender Letter [LL-2020-06](#), *Selling Loans in Forbearance Due to COVID-19* for eligibility and delivery requirements.

Q90. **What are the scenarios under which a lender should self-report a loan in forbearance? NEW**

If a lender discovers a loan was in forbearance after the loan data was submitted to Loan Delivery but prior to the sale date (the date funds or the security is swapped), the lender must self-report the loan. These situations include:

- The loan was sold before Lender Letter [LL-2020-06](#) was published or prior to May 1.
- The loan data was delivered after May 1 but did not include the SFC 919 because the borrower went into forbearance while the loan was in Fannie Mae acquisitions processing.



- The loan data was delivered after May 1 and the sale was consummated, but the loan data did not include the SFC 919.

**Q91. How does a lender self-report loans to Fannie Mae? NEW**

All self-reporting takes place in Loan Quality Connect™. This includes creating and submitting the self-report, uploading all supporting documentation, and tracking a loan's status as we make a decision as to how to proceed. To facilitate the self-reporting process for COVID-19 loans, we added “COVID forbearance” to the self-report reason menu in Loan Quality Connect.

As a reminder, the lender must notify us within 30 days of identifying loans not eligible for delivery. Refer to [D1-3-06](#), Lender Post-Closing Quality Control Reporting, Record Retention, and Audit, for all of our self-reporting requirements.

A [Job Aid](#) on how to self-report is available to assist lenders with this process.

**Q92. Are loans in forbearance eligible for the concurrent sale of servicing through the Servicing Marketplace (SMP)? NEW**

Yes, but forbearance eligibility will vary by servicer. Some servicers may not purchase servicing for loans in forbearance. Lenders should confirm with their SMP servicers whether they are accepting servicing on loans in forbearance and review their servicer rate sheets for any adjustments or exclusions for SFC 919.

**Q93. Are loans in forbearance eligible for the concurrent sale of servicing through the Servicing Execution Tool (SET)? NEW**

Loans in forbearance are ineligible for sale through SET.