



COVID-19 Frequently Asked Questions - Selling

Updated: Jan. 14, 2021

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**” (Q10 and Q19) or “**UPDATED**” (Q22, Q43, and Q48) notations after the question.

Note: In this update, we removed several FAQs that were related to COVID-10 flexibilities that have expired, such as the Quality Control FAQs. The Lender Letter links have been updated to the 2021 versions and other minor changes were made (and not noted as “UPDATED”).

Contents

Resources

FAQs

General

Underwriting

Income and Debt – General

Income – Self-Employed

Income – Variable

Employment

Assets

Documentation

Desktop Underwriter® (DU®) Validation Service

Temporary Purchase and Refinance Eligibility

Appraisals

Power of Attorney (POA)

Notarization

Closing and Title

Selling Loans in Forbearance

Resources

We have published selling, appraisal, and servicing Lender Letters, [delivery-related guidance](#) (including FAQs) and helpful information regarding policies related to COVID-19. All of these and other resources can be found on our [single-family site](#). 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?**



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-2021-03, Impact of COVID-19 on Originations](#) and [LL-2021-03, 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](#) the extension of the 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).

Q3. 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.

Underwriting

Income and Debt – General

Q4. 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 [LL-2021-03](#) for details.

Q5. 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?

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.

Q6. Can I use the requirements for income while on temporary leave?

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 [LL-2021-03](#).



Q7. 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?

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

Q8. How should I treat non-mortgage debt (for example, student loans, auto loans, etc.) currently in forbearance or deferment?

Regardless of whether the forbearance or deferment is related to COVID-19, lenders must consider the monthly debt payment in the borrower's DTI. For mortgage loans underwritten using DU, DU will provide guidance on the treatment of the debt, and lenders do not need to conduct additional analysis. For mortgage loans that are manually underwritten, lenders must follow [B3-5.3-02](#), Payment History. However, lenders are not required to, and should not, consider payments missed during the time of a COVID-19-related forbearance to be historical delinquencies or derogatory credit.

For student loans, if the monthly payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must either calculate a qualifying payment per [B3-6-05](#), Monthly Debt Obligations, or use the most recent income-driven repayment plan payment (with supporting documentation).

Q9. What should the lender do when informed of a change in the borrower's pay structure?

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.

Q10. Can unemployment income be used to qualify a borrower? NEW

In accordance with [B3-3.1-09](#), Other Sources of Income, unemployment benefits cannot be used to qualify a borrower unless they are clearly associated with seasonal employment that is reported on the borrower's signed federal income tax returns. (Note: This reminder was previously posted in the Lender Letter but moved here as an FAQ.)

Q11. 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.

Q12. If the borrower has a federal student loan that is in a COVID-related automatic forbearance, can the monthly payment be excluded from the borrower's DTI ratio if it has been paid by another party?

In accordance with [B3-6-05](#), Monthly Debt Obligations, non-mortgage debts paid by others can be excluded from the borrower's DTI ratio with documented evidence that the other party has been making the payments for at least 12 months and the payment history indicates there are no delinquencies.

Given that many student loans were placed into an automatic forbearance status and the other party may have missed payments due to the forbearance, we will allow exclusion of the monthly student loan payment if:

- the missed payments are resolved by the responsible party (not the borrower) prior to closing of the new mortgage loan;
- the responsible party had been making payments on the student loan for at least nine months prior to the automatic forbearance;
- the lender provides borrower documentation evidencing the student loan is in a COVID-related automatic forbearance, and any missed payments have been paid; and
- all other *Selling Guide* requirements have been met (for example, evidence of 12 total payments, either monthly or in aggregate, on the omitted debt).

Income – Self-Employed

Q13. 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.

Q14. Does the lender need to consider a Paycheck Protection Program (PPP) loan when analyzing a self-employed borrower?

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.

Q15. Does the lender need to consider a PPP loan in the borrower's DTI?

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.

Q16. Is it acceptable to follow DU messaging that permits only the most recent year individual and business tax returns?



Yes. In addition to the year-to-date (YTD) profit and loss statement (P&L) and three months business depository account statements, as applicable, the lender can continue to follow the DU message for the required level of self-employment income documentation. The lender may find it necessary to obtain additional year(s) of individual and/or business tax returns to support the underwriting decision.

Q17. Can business tax returns continue to be waived in accordance with [B3-3.2-01](#), Underwriting Factors and Documentation for a Self-Employed Borrower?

Yes. Lenders can continue to waive business income tax returns when the requirements of the *Selling Guide* are met.

Q18. What if the borrower does not have a business depository account but instead uses a personal checking, money market or savings account to manage business finances?

When we refer to business depository accounts, we are referring to asset accounts the business uses to deposit business revenue and pay business expenses. In some cases, this may be the borrower’s personal depository accounts used for business purposes.

Q19. Is there a minimum time period that must be reported on a profit and loss statement for loan applications taken in 2021? NEW

For loan applications dated Feb. 1 through Mar. 31, the profit and loss statement (audited or unaudited) must include a minimum three-month look back period to ensure there is sufficient information to determine the extent to which a business has been impacted by COVID-19. This may require reporting of prior and current year details.

Examples

Application Date	The profit and loss statement must report...	When unaudited, depository account statements include...
January 2021	January through December 2020	October, November, December 2020
February 2021	November and December 2020 and January 2021	November and December 2020 and January 2021
June 2021	January through May 2021	March, April, May 2021

Q20. What are some examples of additional documentation that could be used to assess the impact of the pandemic on business operations and/or support the information reported on the YTD P&L?

Additional documentation may include, but is not limited to, a year-to-date balance sheet, month-to-month or quarterly trending analysis, and/or additional depository account statements.

Q21. Do the temporary requirements for self-employed income in [LL-2021-03](#) apply to the high LTV refinance option?

The temporary requirements apply to mortgages described in [B5-7-03](#), High LTV Refinance Alternative Qualification Path.

Q22. Can the lender use the YTD P&L to calculate qualifying income? UPDATED



No. The lender must continue to use the required level of tax return documentation to calculate self-employment income. The lender must use the P&L (and other supplemental documentation) to determine the extent to which a business has been impacted by COVID-19. When the current level is less than the calculated amount, the lender must adjust the income downward to reflect the current level of stable income. This may be less than the year-to-date average represented on the YTD P&L based on the timeframe the business was impacted.

Q23. What options are available if the business depository account statements for the most recent three months do not support the details in the YTD P&L due to the cyclical nature of the business income?

In this case the lender must confirm the cyclical nature of the business income and assess the impact of the pandemic on business operations. The loan file must include other supplemental documentation, such as business contracts or additional depository account statements, to support the continuing nature of the amount of self-employment income used to qualify the borrower.

Q24. What are general standards for an audited P&L?

Audited P&Ls should be prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited by an independent certified public accountant who provides an opinion on whether the profit and loss statements are presented fairly, in all material respects, in accordance with U.S. GAAP.

Q25. If loan proceeds from a PPP are reflected in the business depository accounts, can these funds be used to support the business revenue reported on the YTD P&L?

No. An SBA PPP or any other similar COVID-19 related loan or grant is not considered a source of business revenue.

Q26. Is it acceptable to exclude the payroll and other expenses (for example, utilities, business rent) covered by PPP loan proceeds when assessing current business cash flow?

No. An SBA PPP or any other similar COVID-19 related loans are designed to provide short-term relief whereas the payroll, rent/mortgage payments and utilities are ongoing business expenses; therefore, those expenses must be considered in the analysis.

Q27. Can proceeds from an SBA PPP or any other similar COVID-19 related loans be considered business assets for the purpose of funding the transaction?

No, loan proceeds are not considered business assets for the purpose of qualifying the borrower and cannot be used to fund the down payment, closing costs or satisfy reserve requirements.

Q28. How do the temporary self-employment income policies in [LL-2021-03](#) impact the enforcement relief of representations and warranties when self-employment income is calculated using an approved vendor tool as outlined in [A2-2-04](#), Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU?

The temporary self-employment income policy requirements apply to all borrowers using self-employment income to qualify. Lenders must obtain the additional documentation, such as an audited P&L, or an unaudited P&L and three months' business depository account statements and assess the impact to the business and adjust income accordingly.



- If the lender determines that the business has not been adversely impacted and the amount of income calculated following standard Form 1084 methodology is accurate and meets the requirements outlined in [A2-2-04](#), Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU then rep and warrant relief will continue to be provided on the accuracy of the calculation of the amount of self-employment income by the tool.
- If the lender determines that the business has been adversely impacted and the amount of income calculated following standard Form 1084 methodology must be adjusted, rep and warrant relief does not apply since the lender must make manual adjustments to the output of the tool.

There are no changes for loans that receive self-employment income validation through the DU validation service.

Q29. What are the changes to reviewing a self-employed borrower’s unaudited P&L and business depository account statements for loans with application dates on or after Dec. 14, 2020?

In addition to requiring three business depository account statements, we updated the language to provide additional clarity by requiring the review of the depository account statements to support the level of business revenue reported in the current YTD P&L. This replaces the prior language (applicable to loans with application dates beginning on Jun. 11, 2020) that required the review to “support and/or not conflict” with the information presented in the current YTD P&L. Lenders must continue to analyze the impact of the pandemic on the business income used in qualifying as outlined in the Lender Letter.

Q30. If the lender confirms the business depository account statements support the level of revenue reported in the unaudited P&L, what is required related to the review of business expenses?

The lender must continue to consider expenses reported on the P&L when assessing the impact of COVID-19 on the business. For example, if the YTD P&L identifies a significant imbalance between expenses and revenue that could impact the financial stability of the business, additional documentation such as an updated business plan may be required.

Income – Variable

Q31. When variable income is used to qualify the borrower(s), can a gap of employment (due to COVID-19) be excluded from the method of calculation?

A gap in employment or a reduction in income due to COVID-19 cannot be excluded from the calculation, and the year to date income must continue to be calculated over the entire time period. Refer to [B3-3.1-01](#), General Income Information.

Q32. How do lenders determine stability of variable income when a borrower has been impacted by COVID-19?

Income types such as hourly, commission and overtime, are variable by nature. Current *Selling Guide* policy requires these income types to be calculated considering the borrower’s history of receipt, the frequency of payment, and the trending of the amount of income being received. Lenders should also include any information or knowledge of any current issues in their analysis of the borrower’s continuance of income source. If the trending analysis indicates that the current year to date income has declined, but the borrower is actively employed and the lender has no reason to believe that the borrower will not continue to be employed at the current level, the income can be considered stable. Refer to [B3-3.1-01](#), General Income Information.

Q33. Is it acceptable to only use year-to-date income to calculate qualifying variable income?



When variable income is the source of income used in qualifying the borrower(s), lenders must follow the requirements as outlined in [B3-3.1-01](#), General Income Information and perform a trending analysis. This includes determining the monthly year-to-date income amount and comparing that to prior years' earnings to determine the appropriate amount of qualifying income for the loan transaction.

- If the trend in the amount of income is stable or increasing, the income amount should be averaged.
- If the trend was declining but has since stabilized **and** there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used (i.e., the monthly year to date income amount).
- If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any variable income should be used.

Q34. When the borrower experiences a gap of employment due to COVID-19 and their source of income is variable, is there a minimum amount of documented time the borrower is required to be back at work after the gap period?

Unless the lender has knowledge to the contrary, if the borrower is actively employed, the income does not have a defined expiration date and the applicable history of receipt of the income is documented (per the specific income type), the lender may conclude that the income is stable, predictable, and likely to continue. The lender is not expected to request additional documentation from the borrower. Refer to [B3-3.1-01](#), General Income Information for additional details.

Q35. What if an hourly borrower is working less hours now than they worked earlier in the year prior to the COVID-19 impact?

Hourly workers are covered under our variable income policy. The year-to-date income amount being used will account for a decline in income when determining the amount of income to be used for the trending analysis and when determining the amount to be used for qualifying purposes.

Employment

Q36. Are there acceptable alternatives if a lender is unable to obtain a verbal (VOE)?

Yes, reference the guidelines and flexibilities contained in [LL-2021-03](#).

Q37. If a VOE indicates the borrower is actively employed, but borrower discloses they are furloughed, what are the next steps?

The income may not be used for qualifying. A borrower who is furloughed or laid off is not considered to be actively employed. Refer to [LL-2021-03](#) for details.

Q38. 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.



Assets

Q39. 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 [LL-2021-03](#) for any market-based assets in the trust account required for the transaction.

Documentation

Q40. How do the temporary age of document requirements in [LL-2021-03](#) impact single-closing construction-to-permanent transactions?

For single-closing construction-to-permanent mortgages with loan applications dated during the timeframe covered in [LL-2021-03](#), 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.

Q41. If I provide a lease to verify rental income, does it have to comply with the age of documentation requirements in [LL-2021-03](#)?

No. Lease agreements do not need to meet the age of documentation requirements.

Desktop Underwriter® (DU®) Validation Service

Q42. Why did Fannie Mae temporarily suspend representation and warranty relief for employment validation?

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, 2020, 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.

Q43. What changes did lenders see in DU? **UPDATED**

The DU validation service temporarily suspended representation and warranty relief for employment validation. The standard DU verbal VOE message appears in the DU Underwriting Findings (Findings) report, even if a VOI/VOE report is submitted to DU. The DU Findings report suppresses the DU validation service message that normally appears for “employment validated.” This update applies to all new casefiles created in DU on or after May 4, 2020. Lenders should reference the *Selling Guide* and [LL-2021-03](#) flexibilities to satisfy the verbal VOE requirement message. Employment verification reports provided by third-party vendors are acceptable for verbal employment verification requirements.

Q44. How does suspending representation and warranty relief for employment validation impact income validation?



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.

Q45. Can third-party verification reports be used for the verbal VOE?

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.

Q46. Will DU still process VOE/VOI reports?

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

Q47. What is the impact to the DU messages?

During this time, DU will no longer issue the "employment validated" message. Instead, DU will issue the standard verbal VOE 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.

Q48. What is the plan to reinstate employment validation with representation and warranty relief? UPDATED

We will continue to monitor the economic environment closely and will inform lenders when the decision has been made to reinstate representation and warranty relief.

Q49. Does the temporary flexibility allowing lenders to use bank statements or other alternatives to verify a borrower's employment status still apply in light of the changes to the DU validation service?

Yes, the flexibilities outlined in [LL-2021-03](#) under "Verbal verification of employment" continue to apply for loans with application dates subject to the terms of the Lender Letter.

Q50. 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?

[LL-2021-03](#) 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.

[LL-2020-03](#) 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, *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.

Temporary Purchase and Refinance Eligibility

Q51. **For purposes of determining eligibility, is a borrower considered current if they have been making partial payments during forbearance?**

No. To be considered current for purposes of the requirements in [LL-2021-03](#), the borrower must have made all mortgage payments due in the month prior to the note date of the new transaction by no later than the last business day of that month. See [B3-5.3-03](#), Previous Mortgage Payment History and the Lender Letter for additional details on payment histories.

Q52. **Can missed payments during forbearance on an existing mortgage loan be refinanced into the new loan amount?**

No. Missed payments during a forbearance may not be refinanced into the new loan amount in a limited cash-out or cash-out refinance transaction. However, if a borrower has initiated a repayment plan or accepted a loss mitigation solution (for example, payment deferral, modification, etc.) and has made three timely payments, the entire existing loan amount, including any remaining outstanding payments under a repayment plan, deferred amounts under a payment deferral, and any principal forbearance under a modification, may be refinanced into the new loan. Refer to [LL-2021-03](#), for details.

Q53. **If the borrower has entered into a repayment plan to resolve missing payments during a forbearance, must it be completed before they are eligible for a new purchase or refinance transaction?**

No. If the borrower has entered into a repayment plan to resolve missed payments, the borrower is eligible for a new purchase or refinance transaction after making three timely payments. Alternatively, if the repayment plan is completed in fewer than three payments, then the borrower is eligible upon completion.

Q54. **What funds may be used to reinstate a mortgage loan with missed payments?**

When a lump sum payment was made to reinstate a mortgage loan on or after the loan application date for the new transaction, the lender must document the source of funds in accordance with eligible sources of funds in the *Selling Guide* Chapter B3-4, Asset Assessment. Any source of funds eligible for down payment and closing costs may be used for reinstatement, provided the lender documents it in accordance with existing *Selling Guide* requirements.

Note that if the lump sum payment was made prior to the loan application date for the new transaction, no sourcing of funds is required.

Q55. **For loss mitigation solutions other than repayment, deferral or modification, what is meant by “full payments” in accordance with the program?**

If another type of loss mitigation solution has been agreed to by the servicer and the borrower to resolve the missed payments, three “full payments” must be made in an amount no less than the required payment due under the terms of the note, or any other agreement that permanently alters the payment amount, such as a Loan Modification agreement.



Q56. What if a borrower completes a non-retention loss mitigation solution such as a Mortgage Release (deed-in-lieu of foreclosure) or short sale?

In these cases, the borrower must continue to meet the requirements in [B3-5.3-07](#), Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit.

Q57. Does the additional due diligence required to confirm a borrower’s mortgage is current apply to all mortgage loans or only mortgage loans in forbearance?

The requirement to confirm that mortgage loans are current and do not have unresolved missed payments applies to every loan on which the borrower is obligated.

Q58. If a borrower’s existing mortgage loan is in forbearance, but is current, does the borrower need to exit forbearance to be eligible for a new purchase or refinance transaction?

No. If the borrower is current on all mortgage loans, there is no requirement to exit forbearance prior to obtaining a new loan.

Q59. What responsibility does the lender have if the borrower entered forbearance on an existing mortgage loan after applying for a new loan?

The lender must follow the guidance in [LL-2021-03](#), to determine whether the existing mortgage loan is current or if the borrower has entered into and made three full timely payments under a loss mitigation solution as of the note date of the new mortgage loan.

Q60. When a borrower refinances after a payment deferral, is the new loan considered a cash-out refinance loan or a limited cash-out refinance loan (LCOR)?

When a borrower refinances a loan that has a payment deferral and the amount of the deferred payments is included in the new loan, the new loan is eligible to be sold as an LCOR if it otherwise meets all of the requirements for an LCOR in the *Selling Guide*. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out.

Q61. If the borrower has entered a repayment plan or other loss mitigation solution described in [LL-2021-03](#), must the required three timely payments be consecutive?

Yes. Regardless of the loss mitigation solution, the borrower must make three consecutive monthly payments to be eligible for the new transaction. If a borrower misses one or more of the three required payments, the loan is not eligible and the borrower should contact their mortgage loan servicer to discuss the impact of the missed payment(s) to the loss mitigation solution. See [COVID-19 Frequently Asked Questions – Servicing](#) for more details.

Q62. What is a reinstatement of a mortgage loan?

A mortgage loan is considered reinstated if the borrower has paid all missed payments and any associated fees or other expenses in a lump sum payment in order to return the mortgage loan to a current status under the terms of the original note. A borrower who is unable to reinstate may pursue a loss mitigation solution.

Q63. Can I still rely on an Approve/Eligible recommendation in DU?



Yes. However, the lender must comply with the additional due diligence requirements outlined in [LL-2021-03](#) to determine if all mortgage loans are current and that any missed payments have been resolved. These additional eligibility requirements are currently not automated in DU and must be manually applied.

Q64. If the borrower is on a repayment plan on another mortgage loan, does the higher payment amount need to be used in qualifying?

Yes. If the borrower is on a repayment plan temporarily requiring higher payments to repay missed amounts, the PITIA under the terms of the repayment plan must be used in qualifying. The lender must ensure that the requirements in [LL-2021-03](#) are met and that the borrower has made three payments under the repayment plan agreement to be eligible for a new purchase or refinance transaction.

Q65. Do the temporary eligibility requirements for purchase and refinance transactions in [LL-2021-03](#) apply to mortgage loans secured by a property that will be sold prior to the note date of the new transaction?

No, as long as the lender provides evidence that the property was sold and the mortgage loan was paid off prior to the note date of the new transaction, the additional eligibility requirements in [LL-2021-03](#) are not applicable.

Q66. Is forbearance considered an “other loss mitigation solution” not specifically listed in the table in [LL-2021-03](#)?

No. If a borrower is obligated on a mortgage loan that is in forbearance but is current and does not have missed payments, the new mortgage loan is eligible for sale to Fannie Mae. If the borrower is obligated on a mortgage loan that is in forbearance and the mortgage loan is not current, the new mortgage loan is not eligible unless the missed payments on the existing mortgage loan are resolved by meeting the applicable additional eligibility requirements in [LL-2021-03](#).

Q67. Regarding the interim financing for single-close construction-to-permanent mortgage loans, do I still need to follow the temporary eligibility requirements for purchase and refinance transactions from [LL-2021-03](#)?

Yes. For loans with application dates on or after Jun.2, 2020, lenders must comply with the requirements in the Lender Letter .

Q68. According to [LL-2021-03](#), lenders must conduct additional due diligence to confirm the borrower’s existing mortgage loans are current. Does the same apply to non-mortgage debt, such as student loans or auto loans?

No. Lenders only need to conduct the additional due diligence on the borrower’s mortgage debt.

Q69. Is a credit supplement an acceptable form of additional due diligence to determine whether the borrower’s existing mortgage payments are current?

A credit report supplement may be acceptable to meet the requirements in [LL-2021-03](#), depending on the information provided in the document, if it demonstrates that the borrower has made all mortgage payments due in the month prior to the note date of the new loan transaction no later than the last business day of the month. For example, a supplement that provides confirmation of the date of the last payment made by the borrower and the due date of the next payment would be acceptable. Credit report supplements that only provide the current status of the mortgage, such as “current” or “paid as agreed,” or are only reflective of the information that otherwise appears on the credit report, would not be sufficient to verify that the borrower meets the terms of the Lender Letter.



Appraisals

Q70. May a desktop or exterior only inspection appraisal report completed using the appraisal flexibilities offered by Lender Letter [LL-2021-04](#), *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.

Q71. 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.

Q72. 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.

Q73. 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.

Q74. What form should be used for a desktop appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in [LL-2021-04](#)?

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.

Q75. What form should be used for an exterior-only inspection appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in [LL-2021-04](#)?



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.

Q76. 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.

Q77. 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.

Q78. 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.

Q79. 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.

Q80. 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.

Q81. 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.

Q82. [LL-2021-04](#) 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.

Q83. Does an appraisal report have to include subject property and comparable sales photographs when the report is an exterior-only appraisal assignment?

The appraiser must provide an original photograph of the front of the subject property. For all other photographs, the appraiser may provide photographs from credible secondary data source(s). Although not required the presence of a comparable photos page, with images, may be necessary to allow the appraisal report to pass automated system requirements.

Q84. 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 [LL-2021-04](#).

Q85. 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.

Q86. 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. [LL-2021-04](#), 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.

Q87. 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.

Q88. Does an appraisal that includes the revised scope of work, statements of assumptions and limiting conditions, and appraiser’s certifications provided in [LL-2021-04](#) 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 [LL-2021-04](#), 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.

Q89. 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.

Q90. 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.

Q91. 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.

Q92. 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 [LL-2021-04](#) 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)

Q93. **Given the appraisal flexibilities provided in [LL-2021-04](#), 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.

Q94. **For new construction appraisals completed using the flexibilities in [LL-2021-04](#), 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.

Q95. **In [LL-2021-04](#), 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-2021-04](#), including all requirements in the permissible appraisal requirements chart. Therefore, second homes with an LTV greater than 85% require a traditional appraisal report.

Q96. **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.

Q97. **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.



Q98. 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.

Q99. 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.

Q100. As a lender, we used the flexibilities in [LL-2021-04](#) 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.

Q101. In [LL-2021-04](#), 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.

Q102. Does DU identify Fannie Mae-owned loans?

[LL-2021-04](#) 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 began issuing a new message stating that the borrower's existing loan has been identified by DU as a Fannie Mae loan. This message is 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.

Q103. May I use an appraisal waiver if I obtained an exterior-only or desktop appraisal?

No. Fannie Mae policy for appraisal waivers prohibits the execution of an appraisal waiver for a loan transaction for which the lender has obtained an appraisal. This includes exterior-only or desktop appraisals using the COVID-19 appraisal flexibilities. We encourage lenders to review the DU Underwriting Findings report to determine appraisal waiver eligibility prior to ordering an appraisal.

Q104. Does the copy of the executed UCC-1 financing statement provided to the document custodian for a cooperative share loan need to have an original filing stamp?

Yes. In states where a UCC-1 is used to record security interest in a co-op’s stock(s) or share(s), Fannie Mae policy requires that lenders provide document custodians the original executed or a copy of the UCC-1 financing statement that bears the file stamp of the relevant filing office(s) to be certified by the document custodian. Unrecorded originals or copies of UCC-1 financing statements that do not bear the file stamp of the relevant



office(s) may not be certified by document custodians. We have not provided COVID-19 related flexibilities for co-op share loan documentation. Refer to [Co-op Share Loan Documentation Requirements](#) on our website for additional information.

Q105. Is the use of the new Fannie Mae 1004 Desktop (Freddie Mac 70D) or Fannie Mae 1004 Hybrid (Freddie Mac 70H) acceptable when completing an appraisal using COVID-19 appraisal flexibilities?

No. Although the 1004 Desktop (70D) and 1004 Hybrid (70H) are now available, they will only be used in a few instances for testing purposes and are not acceptable for use with the COVID-19 appraisal flexibilities. Appraisers should continue using the eligible forms for desktop appraisals using COVID-19 appraisal flexibilities as provided in LL-2020-04 (Forms 1004/70, 1073/465, 2090, 1025/72, and 1004C/70B).

Q106. If a lender took advantage of the COVID-19 appraisal flexibilities and obtained a desktop appraisal, can that appraisal be reused for a subsequent refinance transaction?

No. The temporary COVID-19 appraisal flexibilities only permit a desktop appraisal to be used for a purchase transaction, and [B4-1.2-02](#), Appraisal Age and Use Requirements requires that to be able to reuse an appraisal for a subsequent transaction, the new transaction must be a no-cash out refinance.

Q107. If a lender took advantage of the COVID-19 appraisal flexibilities and obtained an exterior-only appraisal, can that appraisal be reused for a subsequent refinance transaction?

Yes. The exterior appraisal may be reused for a limited cash out transaction only while the temporary COVID-19 appraisal flexibilities are permitted, i.e., the DU casefile creation date for the subsequent transaction must be prior to expiration of the COVID-19 flexibilities described in the [LL-2021-04](#). The subsequent transaction must meet both the Lender Letter and *Selling Guide* requirements including the age of appraisal, appraisal updates, and use of an appraisal for subsequent transactions per [B4-1.2-02](#), Appraisal Age and Use Requirements.

Q108. When using the appraisal flexibilities provided in [LL-2021-04](#), may appraisers make assumptions concerning relevant characteristics of the subject property, such as interior condition, without a data source?

No. When completing an exterior-only or a desktop appraisal the appraiser must have a data source for all relevant characteristics, including interior condition, and reference the source used in the report. For example, it is unacceptable to assume the condition of the property is “average” or “similar to the exterior of the home.”

The Appraiser’s Certifications, approved for use with desktop and exterior-only appraisals prepared using the COVID-19 flexibilities, require the appraiser to report the condition of the improvements in factual, specific terms. The appraiser may rely on subject property information from third-party data sources.

As previously communicated in the Lender Letter and these FAQs, if there is insufficient information about the property to complete the appraisal assignment, the loan is not eligible for sale to Fannie Mae.

Power of Attorney (POA)

Q109. 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 [LL-2021-03](#) for loans with documents signed subject to a power of attorney.

Q110. If applicable law requires acceptance of a power of attorney, do the provisions of the *Selling Guide* and [LL-2021-03](#) on powers of attorney apply?

Under [B8-5-05](#), Requirements for the Use of a Power of Attorney, and as noted in [LL-2021-03](#), 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.

Q111. 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.

Q112. The guidance in [LL-2021-03](#) 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 acknowledgement by any borrower signing personally is required by [LL-2021-03](#).

Q113. 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

Q114. Was there a methodology for determining the states that are acceptable in the remote online notarization (RON) grid originally published in [LL-2020-03](#) and subsequently published in the [A2-4.1-03](#), Electronic Records, Signatures, and Transactions in Oct. 2020?

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.

Q115. 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 [A2-4.1-03](#), Electronic Records, Signatures, and Transactions 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- 2021-03](#).

Q116. Can subordination documents be remotely notarized?

Yes, subordination documents can be remotely notarized provided the lender follows the requirements in the [A2-4.1-03](#), Electronic Records, Signatures and Transactions.



Q117. 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

Q118. 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.

Q119. 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-C 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-C at or before closing. Refer to [B3-3.1-06](#), Requirements and Uses of IRS Request for Transcript of Tax Return Form 4506-C.

Q120. Are there any changes to the signature requirements for the promissory note?



No. In accordance with [A2-4.1-03](#) 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.

Q121. 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 [A2-4.1-03](#), 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.

Q122. 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.

Selling Loans in Forbearance

Q123. Does Fannie Mae purchase loans that are in forbearance?

Yes, certain loans that go into forbearance after loan closing and before sale to us became eligible for sale beginning May 1, 2020. All loans must have note dates on or before Dec. 31, 2020. Refer to [LL-2020-06](#), *Selling Loans in Forbearance Due to COVID-19* for eligible delivery dates, and all eligibility and delivery requirements. Note: These dates and the policies in this Lender Letter will not be extended further.

Q124. What are the scenarios under which a lender should self-report a loan in forbearance?

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 [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.

Q125. How does a lender self-report loans to Fannie Mae?



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 decide 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.

Q126. Are loans in forbearance eligible for the concurrent sale of servicing through the Servicing Marketplace (SMP)?

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.

Q127. Are loans in forbearance eligible for the concurrent sale of servicing through the Servicing Execution Tool (SET)?

Loans in forbearance are ineligible for sale through SET.

Q128. If a loan goes into forbearance on the sale date of the loan, does the lender owe the LLPA?

Yes. If the forbearance begins any time on the sale date of the loan, the LLPA is due to Fannie Mae. (See the [Job Aid](#) for how to self-report this action to us.) For whole loans, the sale date is the date that Fannie Mae sends funds via wire transfer to the lender. For MBS, the sale date is the date that Fannie Mae issues MBS securities to the lender or to the investor designated by lender (also known as the settlement date) and takes ownership of, and title to, the loan. See Receiving Sale Proceeds or Securities in the [C1-2-01](#), General Information on Delivering Loan Data and Documents. For additional guidance on loans or pools in an Early Funding transaction contact your Capital Markets’ representative.

Q129. Is a loan subject to the temporary requirements of [LL-2020-06](#) if the borrower went into forbearance after the note date, did not miss any mortgage payments, and the forbearance subsequently ended before the loan was sold to Fannie Mae?

The loan is not subject to the requirements of the Lender Letter and is eligible for standard sale terms and conditions if the lender verifies and documents in the loan file the following requirements:

- The forbearance plan ended or was terminated.
- The borrower did not miss any payments before sale to Fannie Mae.
- The borrower did not experience a change in circumstance or financial hardship after the note date.

As a reminder, the loan must meet all requirements of the *Selling Guide*.

Q130. If, as a result of a QC review on a loan delivered under the temporary flexibilities described in [LL-2020-06](#), Fannie Mae discovers that the borrower went into forbearance after closing but lost their employment on or before the day of closing, will the lender have to repurchase the loan?



If a borrower was not employed on the note date, the loan would be ineligible regardless of the temporary flexibilities in [LL-2020-06](#). We would cite a significant defect and the loan would be subject to repurchase unless there was other eligible income documented and the loan satisfies our qualification requirements. Our standard QC process includes an opportunity for lenders to provide additional information or documentation in the rebuttal process.

Q131. I delivered a loan that does not meet the sale requirements for a loan in forbearance outlined in [LL-2020-06](#). How will these be handled?

Lenders must self-report any loan that did not meet the requirements for the sale of loan in forbearance set forth in the Lender Letter in accordance with self-reporting provisions set forth in [D1-3-06](#), Lender Post-Closing Quality Control Reporting, Record Retention, and Audit. (Also see Q. “**How does a lender self-report loans to Fannie Mae?**” for additional information about self-reporting.)

Fannie Mae will require the responsible party (“lender”) to remedy the loan as described below.

Delivery Date	Scenario	Remedy
Prior to 5/1/2020	The loan meets all of the eligibility requirements of LL-2020-06 , including note date, loan purpose, and pay history requirements, except that the delivery date was prior to 5/1/20.	The lender may elect to pay the applicable LLPA identified in LL-2020-06 or repurchase the loan.
Prior to 5/1/2020	The loan does not meet note date, loan purpose, or pay history requirements of LL-2020-06 .	The lender must repurchase the loan.
On or after 5/1/2020	The loan does not meet note date, loan purpose, or pay history requirements of LL-2020-06 .	The lender must repurchase the loan.

The remedies set forth above are subject to the following conditions:

- In the scenario where the lender may elect a remedy, that remedy must be applied to all loans meeting those conditions and must be applied equally across both Fannie Mae and Freddie Mac.
- All whole loan deliveries are subject to the premium recapture requirements outlined in the [C1-1-01](#), Execution Options (Premium Pricing Recapture).
- For repurchased loans, Fannie Mae will require indemnification for losses arising from investor claims due to prepayment.

Q132. I delivered a loan that meets the sale requirements for a loan in forbearance outlined in [LL-2020-06](#), but I did not include SFC 919. How will this be handled?

The lender must self-report any loan in forbearance that meets the requirements of [LL-2020-06](#) but did not contain SFC 919. Fannie Mae will work with you to make the necessary data corrections and apply the appropriate LLPA.

Q133. Will Fannie Mae offer any repurchase alternatives for loans in forbearance that do not meet the eligibility requirements of [LL-2020-06](#), where the only identified remedy is repurchase?



No. Other than the specific instances where an LLPA is identified as a remedy, there will be no repurchase alternatives offered.

Q134. How do I make my election to repurchase or pay the LLPA?

Lenders should contact their Fannie Mae account team to make their respective election. Your account team will provide guidance on formalizing your remedy election.

Q135. Can I change my election?

Given the need for close coordination of this decision between the GSE's, once you have made your decision that will be your final election for loans impacted by [LL-2020-06](#). Any loan that is self-reported subsequently or identified in a subsequent QC review is subject to your initial remedy election.

Q136. In the instance where I may choose either repurchase or the LLPA to remedy the defect, am I able to elect different remedies for loans sold to Fannie Mae or Freddie Mac?

No. You must elect the same remedy for all loans in the scenario where an election is possible regardless of which GSE the loan was sold to.

Q137. Will my election for self-reported loans apply to loans that are discovered by Fannie Mae through its QC process?

Yes. The same remedies will apply to loans identified by Fannie Mae through its QC process. If QC identifies other significant defects for loans sold prior to 5/1 and the lender elected to pay the LLPA, those significant defects could result in repurchase.

Q138. How do I calculate potential investor claims if I decide to repurchase loans instead of paying an LLPA?

There is no pre-defined criteria or calculation for a claim amount from an investor. Investors can evaluate several factors on which they believe that they have been financially harmed due to an event, like a loan repurchase. You may contact your Fannie Mae account team to discuss.

Q139. When does forbearance end?

Forbearance ends on the scheduled last day of the forbearance term, unless the servicer and borrower agree to shorten the forbearance term, in which case the forbearance ends on the agreed-upon date.

Q140. 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.

