

Adaptations to existing policies and processes are necessary as the valuation industry adapts to the challenges caused by the current pandemic health crisis. The information contained within this bulletin is current as of the date of publication and summarized, in part, in the Appraisal Buzz webinars March 31st and April 2nd, 2020.

On March 23, 2020, Fannie Mae and Freddie Mac, under the guidance of FHFA, released temporary guidance regarding appraisals and property valuations in response to the COVID-19 national emergency.

- This temporary guidance provides certain flexibilities to their respective existing appraisal and property valuation requirements.
- In Fannie Mae Lender Letter 2020-04, Freddie Mac Bulletin 2020-5 and Freddie Mac Bulletin 2020-8 (collectively, the “GSE Appraisal Letters”), lenders may be unable to obtain appraisals based on a full inspection of the interior and exterior of the property, and as a result are implementing temporary flexibilities to their appraisal requirements, most notably through allowances for use of desktop and exterior-only appraisals.
- The flexibilities are effective immediately for all loans in process and remain in place for loans with applications dates on or before May 17, 2020.
- The respective guidance can be found by the Titles via the following links:
 - “Freddie Mac Bulletin 2020-5 Selling Guidance Related to COVID-19”
 - https://guide.freddiemac.com/app/guide/content/a_id/1003723
 - <https://guide.freddiemac.com/app/guide/bulletin/2020-8>
 - “Fannie Mae LL-2020-04 Impact on COVID-19 on Appraisals”
 - <https://www.fanniemae.com/portal/covid-19.html> select LL-2020-04 or
 - <https://www.fanniemae.com/portal/funding-the-market/mbs/news/2020/covid-appraisal-lender-letter-032320.html> select LL-2020-04
- The GSE’s use loan purpose, LTV, occupancy type and other criteria to determine which option is appropriate. Desktop or Exterior-Only options are not permitted for every loan scenario.
- Each lender/client will determine their own preferred product option. Criteria may vary between lenders, particularly for non-GSE lending. It is up to **the appraiser** to determine if a credible report can be provided based on the scope of the product ordered, and communicate any issues to the client, or their agent. The client will then determine if the valuation should proceed using a different allowable option.

- The use of certain methods and software, such as inspection apps, Skype, FaceTime, and other applications have been made acceptable to augment the desktop and exterior products. It should be noted that these types of software are NOT acceptable for completing a regular interior inspection appraisal report, such as a 1004. A physical interior inspection completed by the appraiser would still be necessary in order to complete a regular full inspection appraisal report.

Each valuation should follow the Engagement Letter provided for the assignment, with the understanding that not all assignments will be provided to the GSE's.

It may be necessary to contact the client for clarification or to verify the modified set of instructions, scope of work, and statement of assumptions and limiting conditions and certifications. Please note that there are different documents for Exterior and Desktop valuations. The new scope/certification text for the GSE's can be found as follows (Freddie Mac and Fannie Mae temporary Scope/Certification pages are the same):

- Search: "Freddie Mac Bulletin 2020-5 Selling Guidance Related to COVID-19"
 - https://guide.freddiemac.com/app/guide/content/a_id/1003723 - click on Download
 - Search: "Fannie Mae LL-2020-04 Impact on COVID-19 on Appraisals"
 - <https://www.fanniemae.com/portal/covid-19.html> - click on LL-2020-04 or
 - <https://www.fanniemae.com/portal/funding-the-market/mbs/news/2020/covid-appraisal-lender-letter-032320.html> – click on LL-2020-04

The following guide is a reference of suggested best practices for both **Desktop and Exterior** appraisal products in order to get the most accurate information without physically inspecting the subject. Desktop and Exterior appraisal reports may be an alternative to the interior 1004 *only* upon approval by the lender.

- Conduct a thorough Interview with the point of contact, agent, homeowner, or occupant:
 - Research the subject property before the interview:
 - Research public records, including available sketch from county or county photos
 - Review current or prior MLS listings and photos, virtual map photos
 - Verify information and ask probing questions regarding the physical characteristics.
 - Identify with the lender/client any concerns about the ability to complete from the appraisal from the desktop or exterior.
 - Interview may be conducted via phone, email, video-phone, or other means from the client or client's agent.
 - Verify physical characteristics
 - Living area and bed/bath
 - Basement including finishes, rooms, baths, walkout, sump pump
 - Interior materials and finishes by room (i.e. flooring, kitchen counters, appliances, baths, crown moldings, etc.
 - Garage
 - Exterior amenities (pool, barn, outbuildings, etc)
 - Heating/cooling
 - Well/Septic/Public

- Exterior questions:
 - Is the subject serviced with **public water**?
 - If not, what is the water source that services the subject property (private or shared well, cistern, etc.)?
 - Is the subject serviced with a **public sanitary sewer** system?
 - If not, what type of system services the subject's sanitary sewage disposal needs (septic, lagoon, cesspool, etc.)?
 - Verify views, external seen from aerials: Please list and describe any **favorable or negative exterior views** (water, mountains, highway, commercial property, etc.).
- Basement questions:
 - Are there **rooms in the basement** that are finished with partition walls, flooring, and ceiling with appropriate utility services (outlets, plumbing, etc.)?
 - If yes, please **list the types of rooms** located in the basement (recreation room, bathroom, bedroom, etc.)
 - Describe the subject's **heating source** and fuel type (forced air, boiler, baseboard / electric, gas, propane, oil).
 - Do you have **central air conditioning**?
 - Do you have a **sump pump**?
 - Is there an **exterior entrance** to the basement (walkout)?
- Interior Questions
 - List **every room on the first floor** above the basement.
 - If applicable, list **every room on the second floor**.
 - If applicable, list **every room on additional floors** above the second floor.
 - Describe the types of **flooring** throughout the property. List each flooring type (carpet, hardwood, ceramic, laminate, etc.)
 - What type of material covers the **walls around the bathtub** and/or shower (fiberglass, ceramic, etc.)
 - Does the subject have a **garage or carport**?
 - If yes, is it **attached** to the house?
 - If yes, for **how many vehicles**?
- Amenities/Updates
 - Please list and describe any **exterior amenities** or features (pool, barn, deck, pond, etc.)
 - Please list and describe any **interior amenities** or features (fireplace, vaulted ceilings, etc.)
 - Please list, describe, and include the year of **any renovations or remodels within the past 15 years**.
 - Please describe **any needed maintenance or repair items**.

- Customer provided data/photos:
 - Ask if the customer can provide floor plans, digital photos, and/or invoices of recently updated areas within the last five years
 - Use app for virtual views/inspection with agent/homeowner
 - If customer is providing digital photos ask for the following:
 - Front: angled front, angled rear, all exterior sides of the subject, additional photos as necessary
 - Street: two photos, one each direction down the street
 - View from the subject: photos to include water, mountains, highway, commercial, etc.
 - Exterior amenities or features: photos of all items including pool, dock, barn, deck, pond, etc.
 - Kitchen and baths: several photos of each
 - All rooms in the home require photos including basement: finished or unfinished areas
 - Any interior amenities: photos of fireplaces, vaulted ceilings, special trim, special features, repairs needed
 - Any accessory units: photos of all rooms including kitchen, baths, etc.
 - Garage interior
 - Indicate there may be a follow up call if there are further questions.
- **For Exterior Inspections**
 - Verify if the property is in a gated development, is privately gated, or if it is not easily visible from the road.
 - If yes, schedule appointment for access to community or the subject's driveway.
 - Communicate to the contact when you will be in the area taking photos of the front of the property and the street.
- Determine if data is adequate to arrive at credible results. Remember that the GSE's require a data source. An assumption of the interior condition, even based on the condition of the exterior, is not acceptable.
 - If yes, proceed
 - If no, contact the client to communicate the impediments. It is important to recognize if adequate data cannot be obtained, the appraisal cannot be completed within this scope of work
- Desktop Appraisals should include, at minimum:
 - Street map, including subject and all comparable sales used
 - Photos of the subject obtained from MLS, homeowner, occupant, agent (identify source)
 - Type "**Desktop**" in Map Reference
 - *Important: Do not include anything else in this line, such as the word Desktop plus the map reference. Include ONLY the word **Desktop***
- Exterior Appraisals should include, at minimum
 - Follow the engagement letter based on client requirements, at minimum take photos of subject front and street.
 - Street map, including subject and all comparable sales used

- Photos of each comparable. Identify any obstacles to comparable photos and label MLS photos as needed (i.e. children in yard, etc.)
- Photos of the subject obtained from MLS, homeowner, occupant, agent (identify source)
- Type “**Exterior**” in Map Reference
- Summarize your scope of work
 - The level and extent of the inspection of the property (exterior only)
 - *SAMPLE: ... Data sources for the subject included the county assessor webpage, aerial imagery, MLS from 2018, phone discussion with J Smith 03/27/20, descriptions through app from B Smith 03/27/20, additional photos from J Smith 03/28/20. With permission, I viewed the property from all sides and photographed the exterior HUD numbers. Interior HUD sheet photo was provided in app transmission. I did not personally view the interior of the house. See attached photographs, labeled by source. ...*
 - *SAMPLE: County assessor record indicates 1,430 sq.ft. GLA. However, the 2018 MLS indicates 1,280 sq.ft. GLA. The “source” field for the MLS’ GLA reads “Appraisal”; discussion with agent confirms the 1,280 sq.ft. GLA figure is the result of an appraiser measuring the house at the time of the listing. Based on observation and other data sources, there have been no additions to the house since the 2018 MLS listing; as a result, 1,280 sq.ft. GLA is used.*
- Assumptions
 - Freddie Mac and Fannie Mae indicate there should be no extraordinary assumptions used.
 - Assumption #3 on the temporary Scope/Certifications text covers this area.
- Disclose where information including attachments were obtained and retain all documentation for the workfile:
 - Photos as MLS photos or provided by homeowner, agent, etc.
 - Sketch provided through county records, homeowner
 - The data sources and verification of the subject property characteristics including specific interview information
 - Contact name and if owner, agent, occupant, etc.
 - Date and time of communication
 - Type of communication: conversation, video chat, email/photos

The COVID-19 emergency is a rapidly evolving situation, and the responses from all of the Housing Agencies continue to evolve. They have acted quickly to ease some of their guidelines in response to this health crisis and have indicated they will issue additional guidance when available and appropriate. Certainly, the availability of desktop and exterior-only appraisals will assist appraisers and lenders in continuing to provide necessary services to support the residential lending market.