

COVID-19 Selling-related Frequently Asked Questions

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Frequently Asked Questions

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Do Freddie Mac's existing disaster policies in the Seller/Service Guide apply to the COVID-19 pandemic?

No, Freddie Mac's existing policies related to disasters do not apply to loans impacted by COVID-19. Any guidance specific to COVID-19 will be communicated through Bulletins and FAQ documents such as this.

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?

Not at this time; however, it is recommended that additional due diligence is practiced which may include actions such as obtaining updated YTD paystubs from the pay period that immediately precedes the Note Date and ensuring the employer is open for business.

If a recent YTD paystub and/or asset account statement is obtained in lieu of the 10-day pre-closing verification (PCV), and the documentation evidences reduced hours and/or pay due to the pandemic, what are the next steps?

With respect to changes in income, Sellers must comply with the requirements and guidance in Guide Topic [5300](#) related to income stability and calculation. For example, if the income is fluctuating hourly income and it is declining, the income can be used for qualifying only if it stabilized, and the Seller must not include the previous higher levels of income in the calculation (see Guide Section [5303.4\(b\)](#)).

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

Yes. Temporary alternative methods of verifying the borrower's employment have been introduced in [Bulletin 2020-5](#).

Does the Seller remain responsible for the representation and warranties related to the borrower's employment status when using one of the 10-day PCV flexibilities?

Yes. The Seller'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 issues Sellers have raised due to disruption of employer operations and their inability to be reached by phone. Sellers are not required to use these flexibilities if they are not comfortable with them.

The borrower is self-employed and owns a business which is closed due to the COVID-19 pandemic. Can the income be used to qualify?

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

How should Sellers underwrite Borrowers who are on temporary leave from their employment due to the COVID-19 pandemic?

For Borrowers on temporary leave please refer to the requirements in Guide [Section 5303.5](#).

What are Freddie Mac's requirements for the use of a power of attorney for the borrower in closings?

In a hardship or emergency situation, like COVID-19, where a borrower is unable to sign a note, Freddie Mac allows the note, the security instrument and other closing documents to be executed using a power of attorney (POA). However, the person authorized to sign under the POA should have a familial, personal or fiduciary relationship with the borrower, and should not be employed by or affiliated with any party to the loan transaction, other than the borrower.

Each POA must be notarized and the mortgage must be covered by a title insurance policy in accordance with [Section 4702.1](#) of the Single-Family Seller/Service Guide (Guide).

For delivery requirements and complete details on POA for:

- Paper notes and other mortgage documentaries, see [Section 6301.4](#) of the Guide.
 - eNotes (eMortgages) Refer to [Section 1402.8](#) of the Guide.
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Is there any impact to Asset and Income Modeler (AIM) loans?

If the Seller is eligible for income representation and warranty relief based on Loan Product Advisor's assessment, this relief will continue to be valid provided the Seller complies with the terms of their Purchase Documents.

AIM's assessment does not include verification of the borrower's current employment. As a result, there is no impact to AIM loans.

The temporary guidance introduced in [Bulletin 2020-5](#) applies to AIM loans.

Are you making any changes to your QC practices with respect to loans impacted by COVID-19, including the flexibilities announced in Bulletin 2020-5?

No, we are not making changes to our QA practices with respect to these loans. See Guide [Chapter 3401](#) for a description of our quality control practices. The Selling and Servicing remedies processes described in Guide [Chapter 3602](#) will continue to apply, including the repurchase alternatives and the appeals process. Note that these flexibilities announced in [Bulletin 2020-5](#) generally do not change our overall credit standards.

May an appraisal report 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.

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 web sites, owners, or listing services, etc. NOTE: Any use restrictions on photos must be honored.

What if adequate information is not available for the appraisal? —

Appraisers may use information in MLS, reach out to broker, homeowner, use 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 Freddie Mac until the appraiser has sufficient information to complete the desktop appraisal or an appraisal with an exterior-only inspection.

What form should be used for a desktop appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in Bulletin 2020-5? —

The desktop appraisals permitted in accordance with the temporary flexibilities announced in Freddie Mac Bulletin 2020-5 must be completed on one of the following forms, as applicable:

- Uniform Residential Appraisal Report (FRE 70/FNM 1004)
- Individual Condominium Unit Appraisal Report (FRE 465/FNM 1073)
- Individual Cooperative Interest Appraisal Report (FNM 2090)
- Small Residential Income Property Appraisal Report (FRE 72/FNM 1025)
- Manufactured Home Appraisal Report (FRE 70B/FNM 1004C)

The modified scope of work/limiting conditions/certifications included in [Bulletin 2020-5](#) [↗](#) must be used when performing a desktop appraisal permitted in accordance with Bulletin 2020-5.

What form should be used for an exterior-only inspection appraisal obtained in accordance with the temporary COVID-19 flexibilities announced in Bulletin 2020-5? —

The exterior-only inspection appraisals permitted in accordance with the temporary flexibilities announced in Freddie Mac Bulletin 2020-5 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 466)
- Exterior Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)
- Small Residential Income Property Appraisal Report (Form 1025)
- Manufactured Home Appraisal Report (Form 70B)

The modified scope of work/limiting conditions/certifications included in [Bulletin 2020-5](#) [↗](#) must be used when performing an exterior-only inspection appraisal.

Why is Freddie Mac 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 Freddie Mac is permitting desktop appraisals to be completed on forms that are typically used for interior and exterior inspection appraisals, Freddie Mac 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.

Why is Freddie Mac 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 Freddie Mac is permitting exterior-only appraisals to be completed on forms that are typically used for interior and exterior inspection appraisals, Freddie Mac 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.

Will desktop appraisals be assessed through Loan Collateral Advisor? —

Yes, desktop appraisals completed on Forms 70/1004 and 465/1073 will be scored by Loan Collateral Advisor just as traditional appraisals are scored when these forms are used.

Will Mortgages with desktop appraisals be eligible for representation and warranty relief for value?

Yes. When a desktop appraisal is obtained using Form 70, Uniform Residential Appraisal Report, or Form 465, Individual Condominium Unit Appraisal Report, and submitted to Uniform Collateral Data Portal® (UCDP®), the appraisal will be assessed for valuation representation and warranty relief in Loan Collateral Advisor®. All appraisals with a risk score of 2.5 or less that meet the requirements in Section 5601.9(b) will receive valuation representation and warranty relief.

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 provided 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.

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.

Bulletin 2020-5 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.

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

Yes. An exterior-only appraisal must include a subject and comparable sales photo page. The appraiser may use photos obtained from credible and reliable sources to represent the subject and comparables used on the appraisal.

Are Manufactured Homes (MH) and 2-4 Family properties covered even though there is no exterior-only appraisal form to support them?

We will allow Sellers to use Interior/Exterior forms for 2-4 and MH with the appropriate scope of work/limiting conditions/certifications narrative provided with the [Bulletin 2020-5](#).

Manufactured Home appraisals require specific, and detailed information from the HUD Tag. 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 Tag, 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 Tag and deliver it via email or other means to the appraiser.

With both the desktop and exterior-only 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.