

Understanding Appraisal Flexibilities During COVID-19



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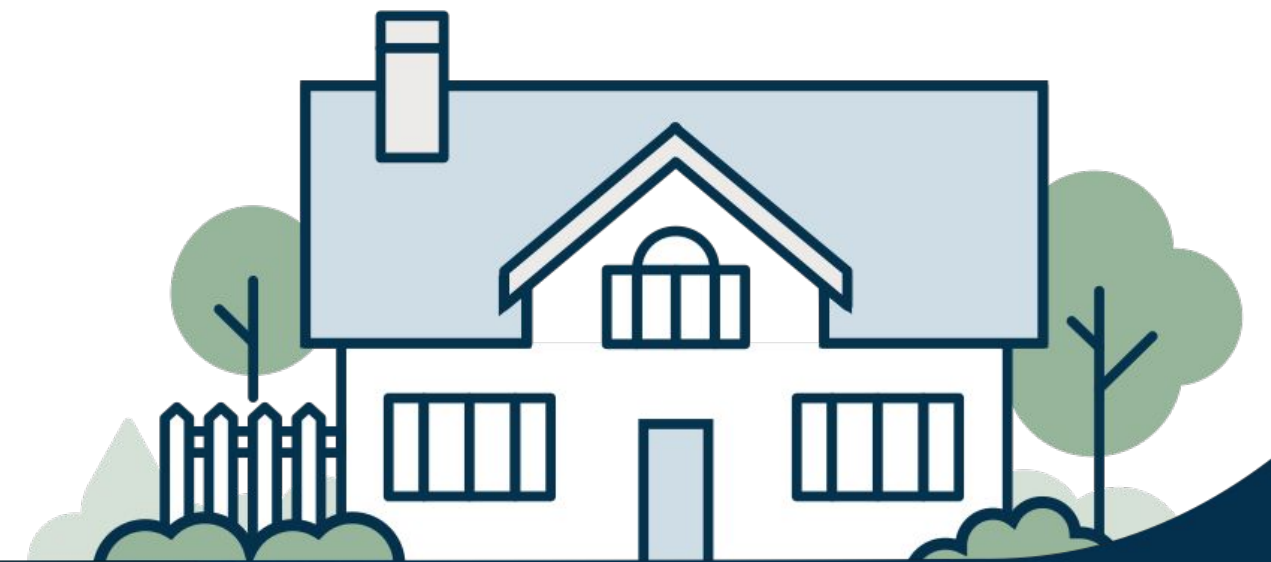


ClearCapital

COVID-19 Update

Collateral Policy flexibilities in LL-2020-04

April 23, 2020



LL-2020-04

Effective March 23, 2020; will remain in place for loans with application dates on or before May 17, 2020.

- **Temporary appraisal requirement flexibilities:** Allow exterior-only inspection appraisals or desktop appraisals.
- **Desktop appraisals:** Allow for purchase transactions when an interior and exterior appraisal is not available.
- **Exterior-only inspection appraisals:** Allow for purchase and refinances of Fannie Mae-owned loans.
- **Revisions to the scope of work, statements of assumptions and limited conditions, and appraiser's certifications:** Require modified language to be used with exterior-only and desktop appraisals.
- **Additional form instructions for appraisals:** Require identification of “exterior” or “desktop” on the interior and exterior reports.
- **Completion reports (Form 1004D):** Allow alternatives when a Form 1004D cannot be obtained.
- **HomeStyle® Renovation and HomeStyle Energy requirements:** Require traditional appraisals for these transactions.



Appraisal requirement flexibilities

Effective immediately, we are allowing temporary flexibilities to our appraisal inspection and reporting requirements.

Loan purpose	LTV ratio	Occupancy	Ownership of loan being refinanced	Permissible appraisals
Purchase * (Construction to perm excluded)	Per Eligibility Matrix	Principal residence	N/A	Traditional appraisal Desktop appraisal Exterior-only appraisal
	≤ 85%	Second home Investment		Traditional appraisal Desktop appraisal Exterior-only appraisal
	> 85%	Second home		Traditional appraisal
Limited cash-out refinance	Per Eligibility Matrix	All	Fannie Mae-owned	Traditional appraisal Exterior-only appraisal
			Not Fannie Mae-owned	Traditional appraisal
Cash-out refinance				

* Appraisals for purchases of new construction are limited to either Desktop (with required information provided by builder) or Traditional scope of work.



Which forms to use

Desktop appraisals

- 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 appraisal forms are not allowed for loans with desktop appraisals to be eligible for delivery to Fannie Mae.

Exterior-only appraisals

- 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 appraisal forms are not allowed for loans with exterior-only appraisals to be eligible for delivery to Fannie Mae.



Modified certifications

Scope of work, statements of assumptions and limited conditions, and appraiser's certification.

Freddie Mac and Fannie Mae have jointly developed documents that include modified language for desktop and exterior-only appraisal reports.

It is important to note that 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 feasible.



Updates to Lender Letter

Additional flexibilities

- Removed order of preference for permissible appraisals. Clarified permissible lender uses in conjunction with variances.
- For new construction, introduced 2 new certification templates; LTV ratio requirements; requirement for builders to provide plans/specs, survey/plot plan, complete ratified contract with all addenda, photos of street in both directions, site, and improvements (if construction stage allows) to appraiser.
- Virtual inspection methods can be used to enhance desktop or exterior-only but cannot substitute for full interior/exterior personal inspection by the appraiser for traditional.
- For appraisals using flexible scope of work, only the words “exterior” or “desktop” are allowed in the Map Reference field (and must match forms requirements).
- HomeStyle[®] Renovation loan options for inspection requirements for draws. For final completion, 1004D remains mandatory.
- Condominium project review guidance and temporary flexibilities for project eligibility reviews.
- Lenders must identify Fannie Mae loans using 1 of 2 options: Loan Lookup tool or new Desktop Underwriter message.



John Brenan // Chief Appraiser



Common Sense 101

Do not jeopardize your health or safety for any assignment

USPAP **does not require** an appraiser to accept any assignment



USPAP Issues

Personal Inspection of the Subject Property

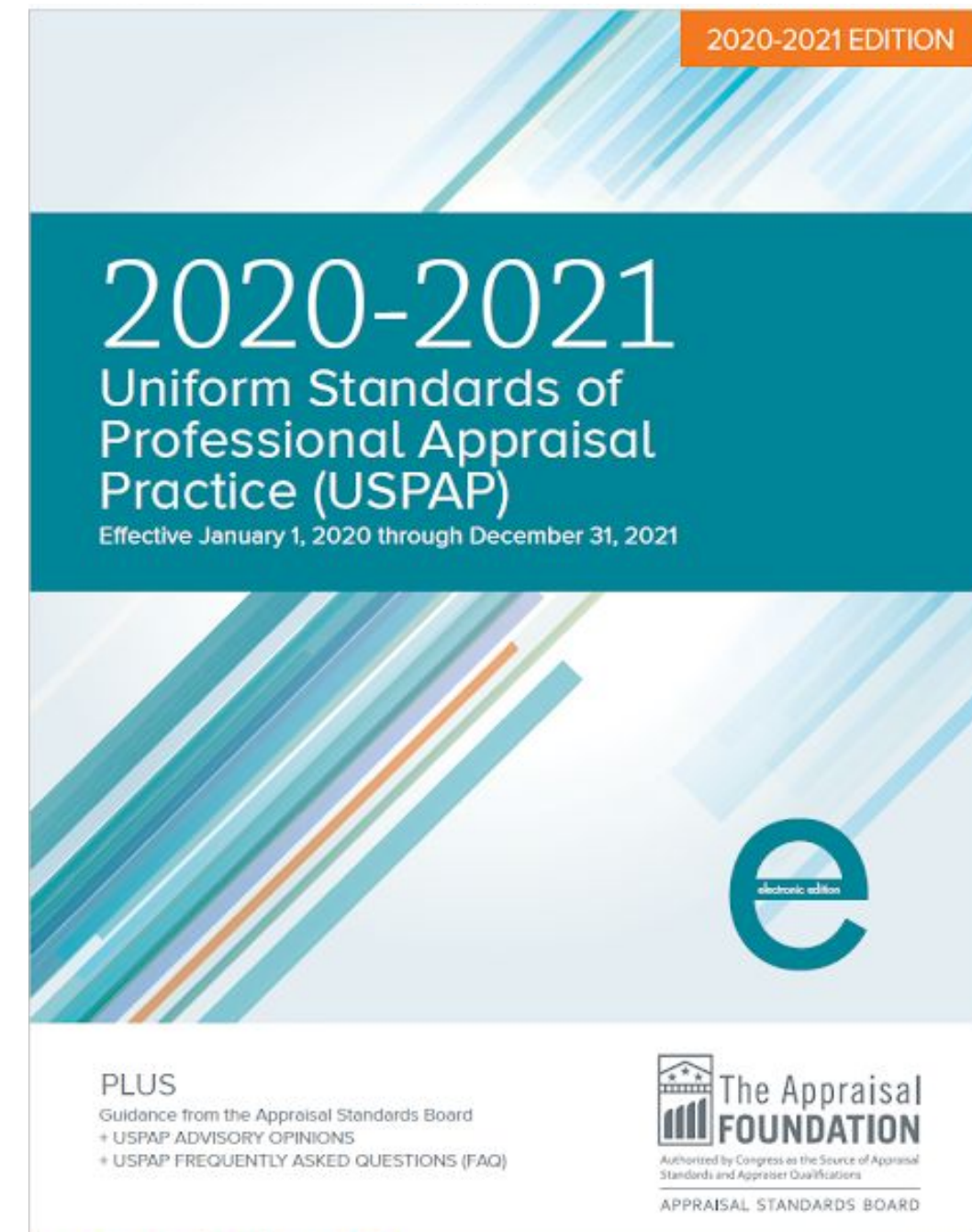
Does USPAP require a personal inspection of the subject property?

No. USPAP permits appraisals to be performed without a personal inspection of the subject property, provided the appraiser is able to produce credible assignment results.

Recent guidance from the Appraisal Standards Board:

Q&A #2020-01 (March 17, 2020): “USPAP does not require an inspection unless necessary to produce credible assignment results.”

A homeowner-enabled inspection tool does not constitute a personal inspection of the subject property by an appraiser. It does, however, provide the appraiser with information about the subject property for desktop and exterior-only assignments.



USPAP Issues

Acceptable Data Sources

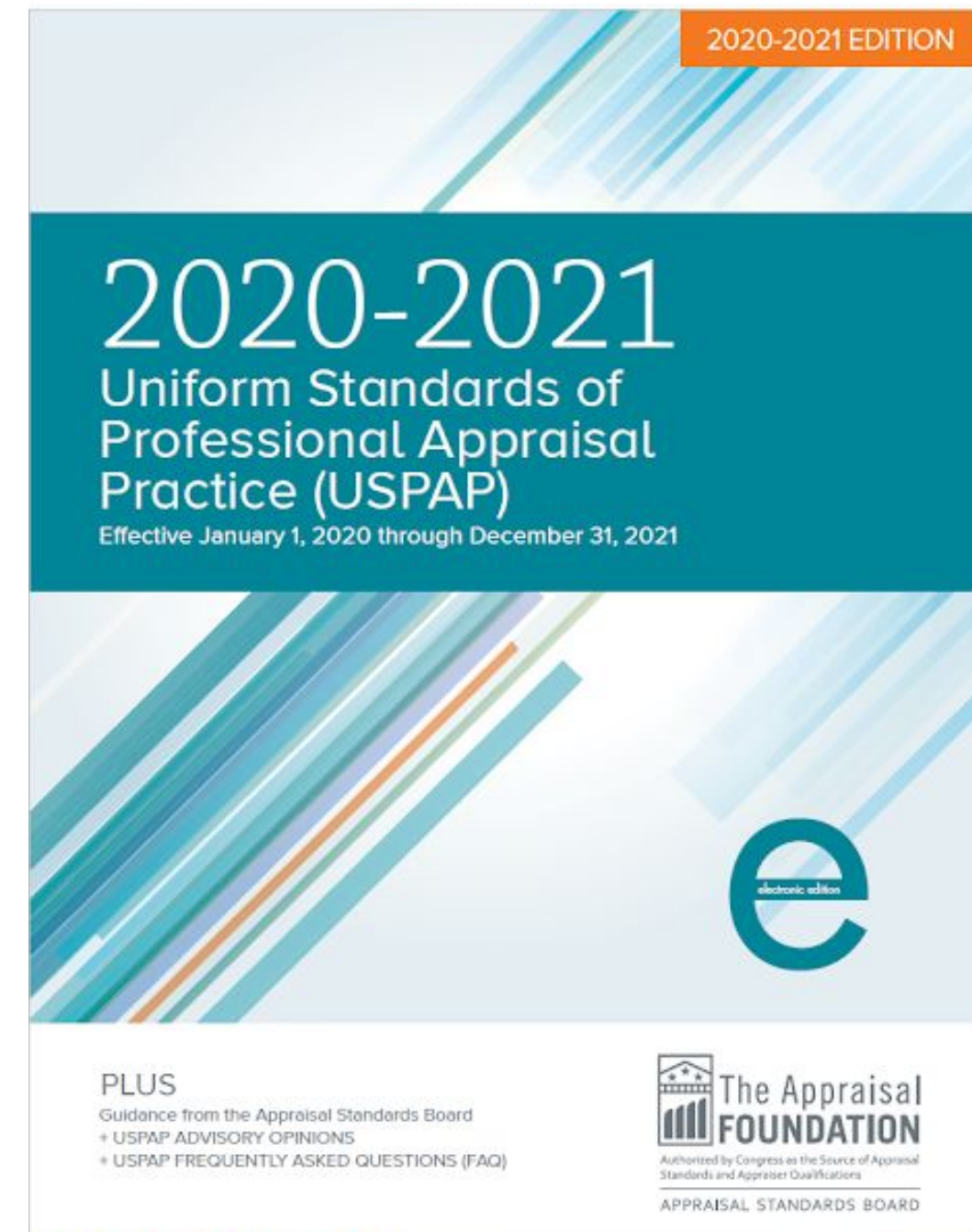
Does USPAP allow an appraiser to consider information provided by a homeowner?

Yes. USPAP allows an appraiser to consider data and information from sources the appraiser reasonably believes to be reliable. USPAP does not place restrictions on the source of such information.

Applicable USPAP Citation:

Standards Rule 1-2(e)(i): “An appraiser must identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the property that are relevant...”

As with all data sources, an appraiser using a homeowner-enabled inspection tool must make a reasonable determination as to its reliability.



USPAP Issues

Extraordinary Assumptions

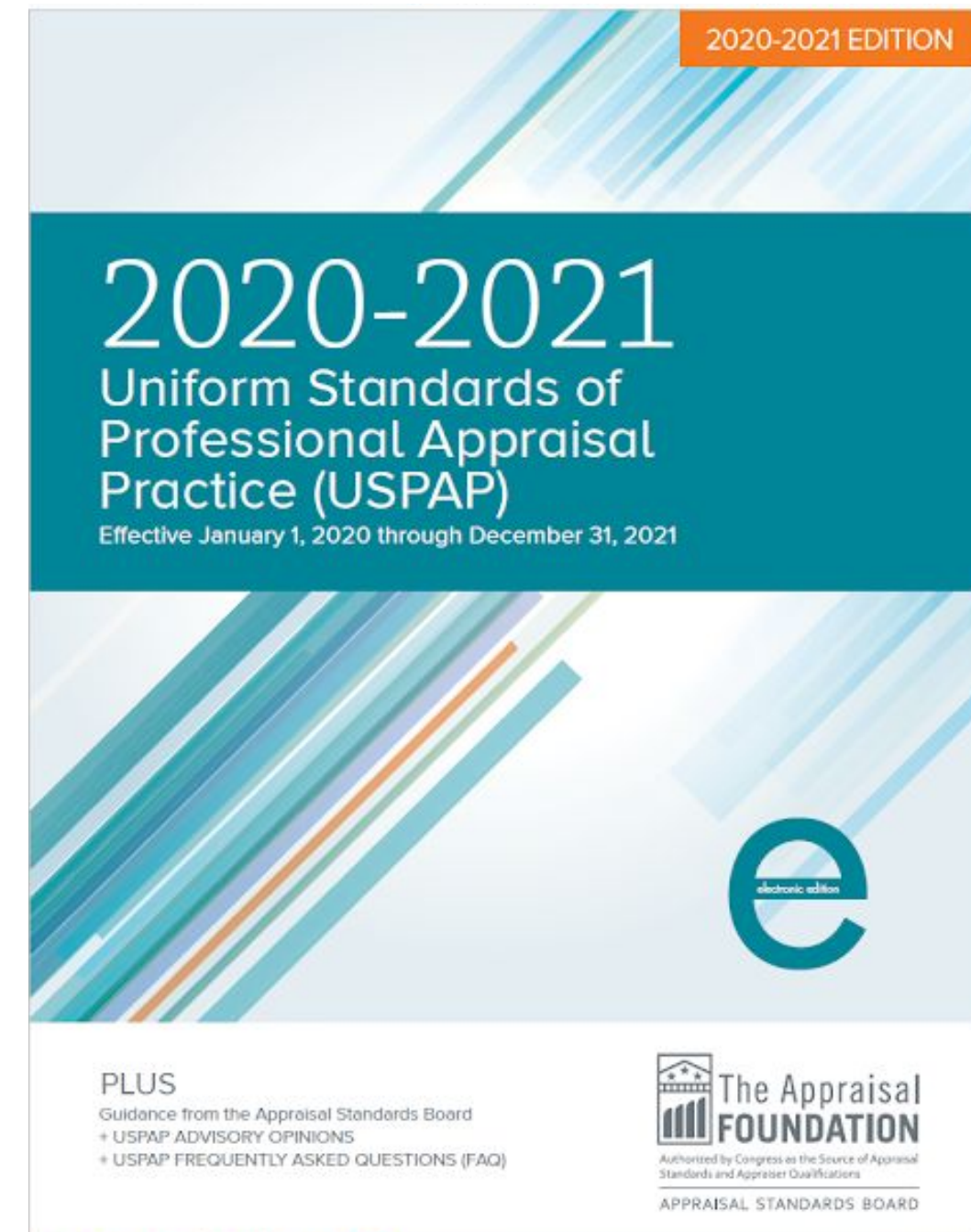
Would an appraiser utilizing information from a homeowner-enabled tool be required to employ an extraordinary assumption?

No, USPAP does not mandate the use of extraordinary assumptions in any specific assignment. In fact, USPAP only dictates when extraordinary assumptions *may* be used.

Applicable USPAP Citation:

Standards Rule 1-2(f): An extraordinary assumption may be used in an assignment only if:

- I. the extraordinary assumption is required to properly develop credible opinions and conclusions;
- II. the appraiser has a reasonable basis for the extraordinary assumption; and
- III. use of the extraordinary assumption results in a credible analysis.



USPAP Issues

Credible Assignment Results

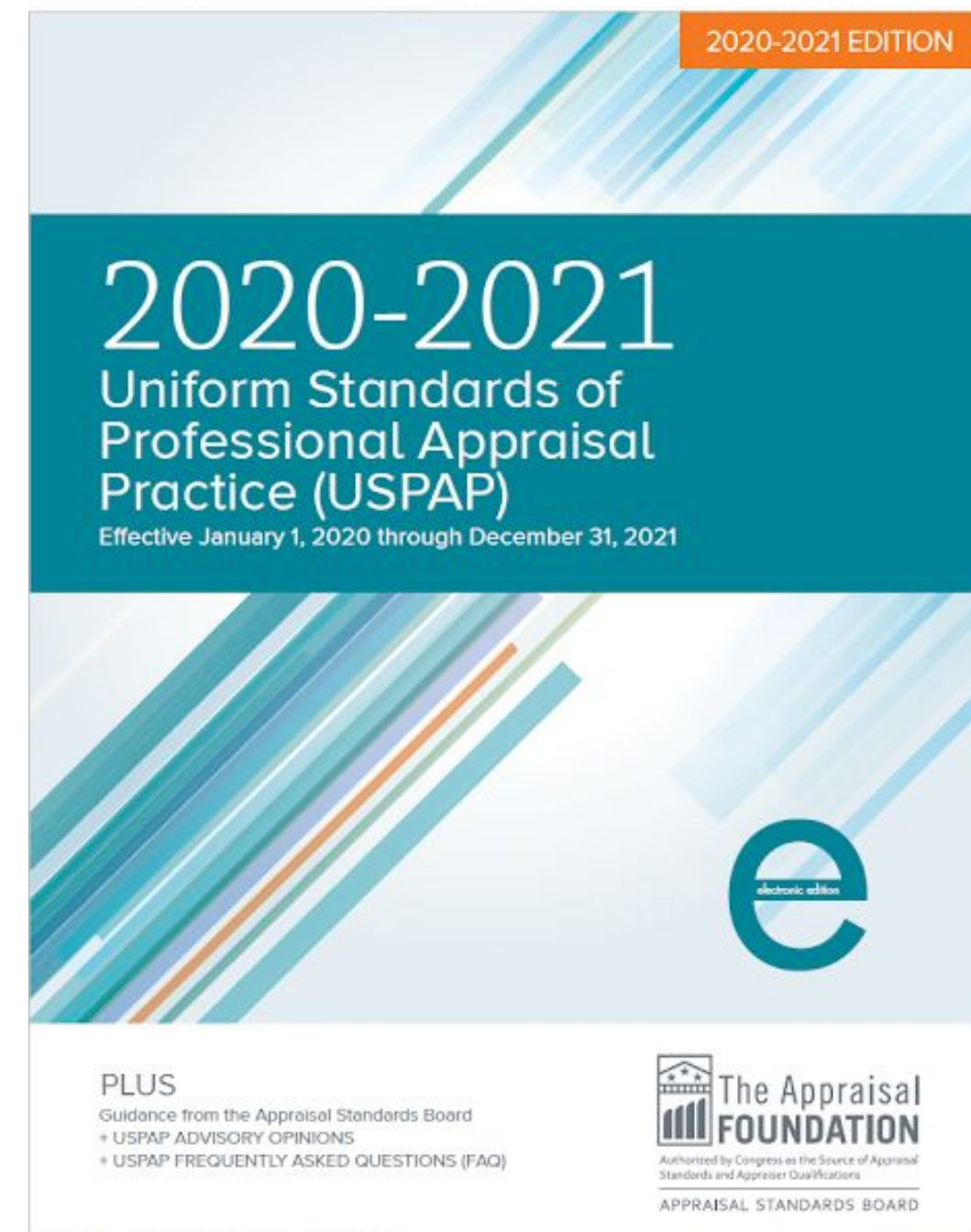
What if an appraiser is unable to obtain adequate information about a property, or is unable to employ an extraordinary assumption in accordance with USPAP?

The appraiser cannot perform the appraisal.

Recent guidance from the Appraisal Standards Board:

Q&A #2020-02 (March 23, 2020): "...appraisers are reminded that it is up to the appraiser to determine that adequate information is available to produce credible results. If adequate information is not available about the property, and/or if extraordinary assumptions cannot be made in accordance with USPAP requirements, then the appraiser may not perform the appraisal."

Information from a homeowner-enabled inspection tool deemed reliable by the appraiser would allow performance of the appraisal.



Jeff Allen // EVP, Valuation Strategy



Paths to Get Interior Info During COVID-19



No interior information

- Potential for a less credible appraisal
- Negative customer experience (“The appraiser had no idea I just renovated my entire kitchen!!!”)



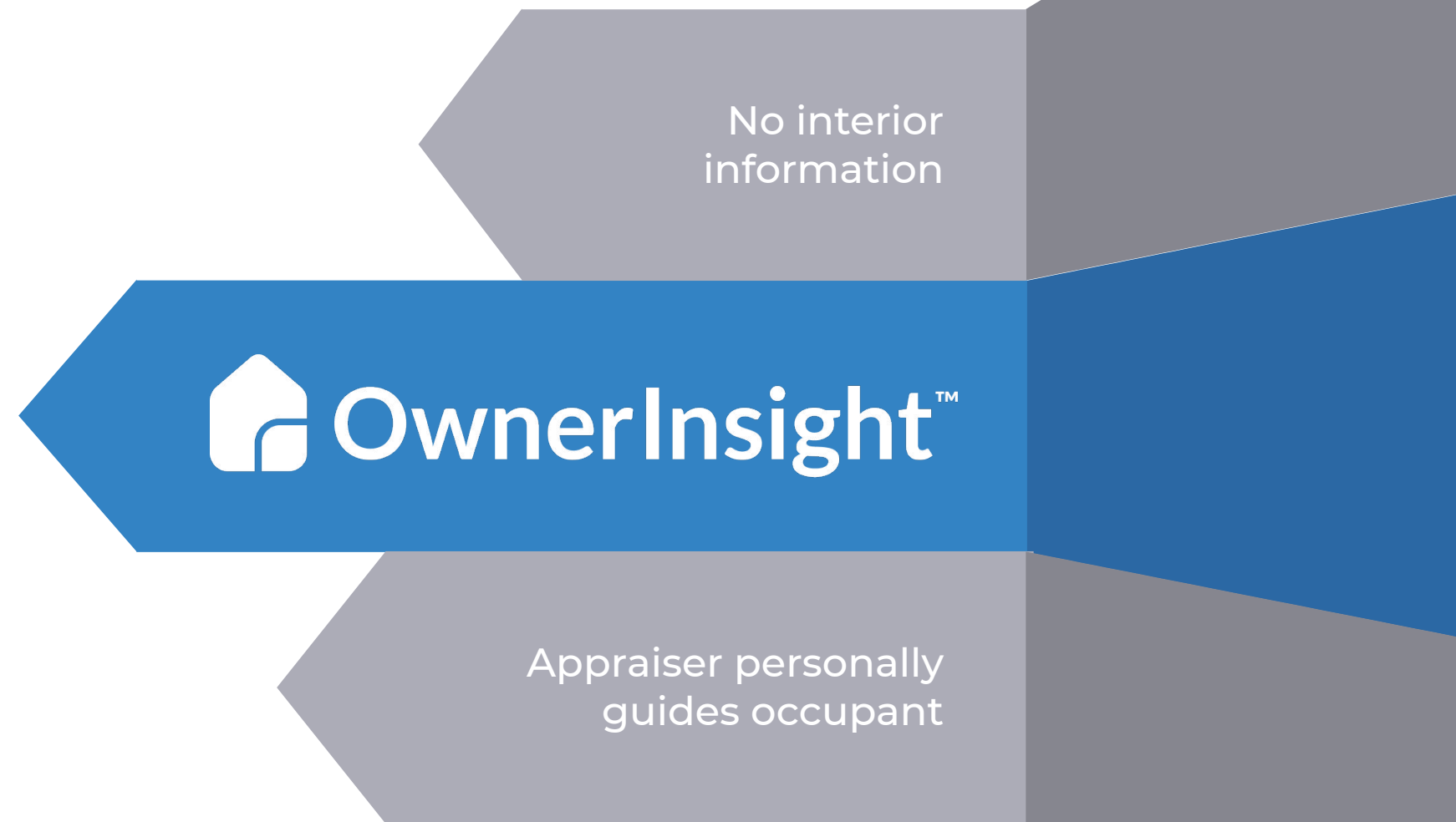
Appraiser personally contacts occupant to get interior information

- Awkward customer experience
- Takes up a lot of appraiser time (scheduling, explaining what’s needed)
- No fraud mitigation



OwnerInsight™

- Guided, step-by-step process for the homeowner to provide appraiser with interior data and photos
- Appraiser can focus their time on report writing
- Fraud mitigation



How does OwnerInsight work?

Step One

OwnerInsight order placed by lender, AMC, or tech system

A report is ordered on demand at GetOwnerInsight.com or via an API integration to drive automation.



Step Two

Text message / email with report link sent to home occupant

The link opens a web app that works with any device or browser.



Step Three

Home occupant fills out report

The home occupant is guided through questions about the property and given clear photo prompts to ensure complete and accurate results.



Step Four

Link to completed report emailed to order requestor

Once completed, the report results are immediately delivered back to the order requestor with a link to view the completed report and distribute to the appraiser.



Occupant is guided step-by-step to ensure high quality photos + data

9:41 AM 100%

Questions Photos Submission

How many of each room are there **excluding** any rooms in the basement?

Bedrooms 0
 Full Baths 0
 Partial Baths 0
 Kitchen 0
 Breakfast Nook 0
 Family Room 0
 Living Room 0
 Dining Room 0



9:41 AM 100%

2313 Claremont Drive

Questions Photos Submission

INTERIOR

Bedroom #1 ✔
 Take at least **2 photos** showing the floors, ceilings and all walls


Bedroom #2
 Take at least **2 photos** showing the floors, ceilings and all walls

Bathroom #1
 Take at least **2 photos** showing all sinks, toilets


Appraiser gets clean report for 1-click import into forms software


OwnerInsight™ 631 Pike St, Thousand Palms, CA 92276
 Report Date: April 4, 2020, 7:36 PM

Exterior: Front


 April 4, 2020, Lat 33.810210 Long -116.378850


Interior: Office #1

 April 4, 2020, Lat 33.810210 Long -116.378850


 April 4, 2020, Lat 33.810210 Long -116.378850


Interior: Family Room #1

 April 4, 2020, Lat 33.810210 Long -116.378850

 April 4, 2020, Lat 33.810210 Long -116.378850

Interior: Dining Room #1

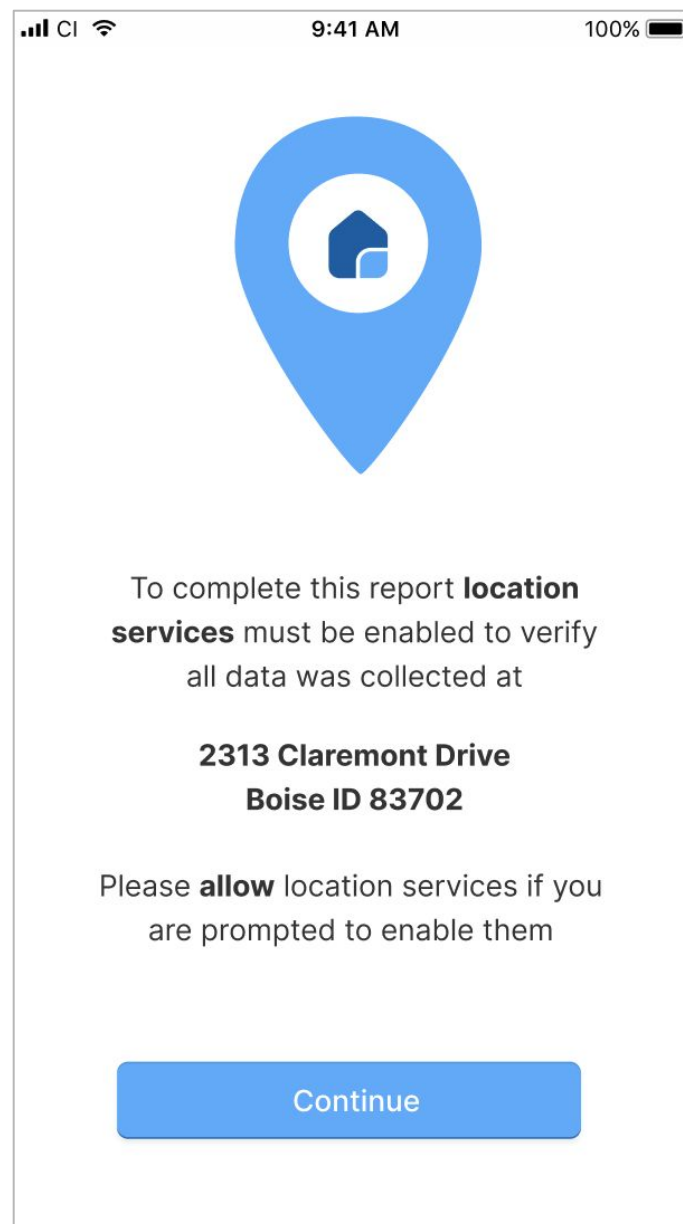
 April 4, 2020, Lat 33.810210 Long -116.378850

 April 4, 2020, Lat 33.810210 Long -116.378850

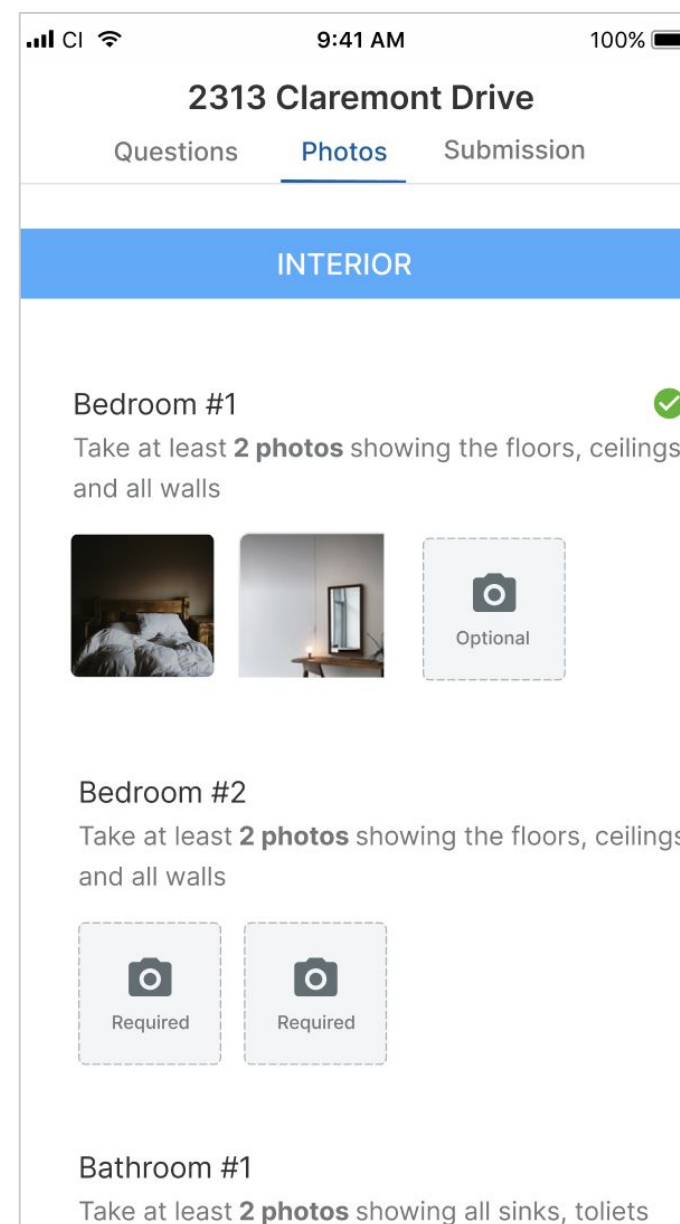
Page 12 of 22

How can I be sure the photos are accurate?

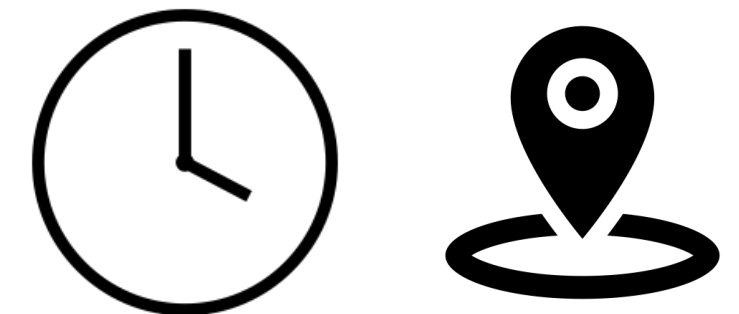
Occupant must enable Location Services before starting the process



User cannot upload previously-downloaded images from their device gallery. Live photos must be taken.

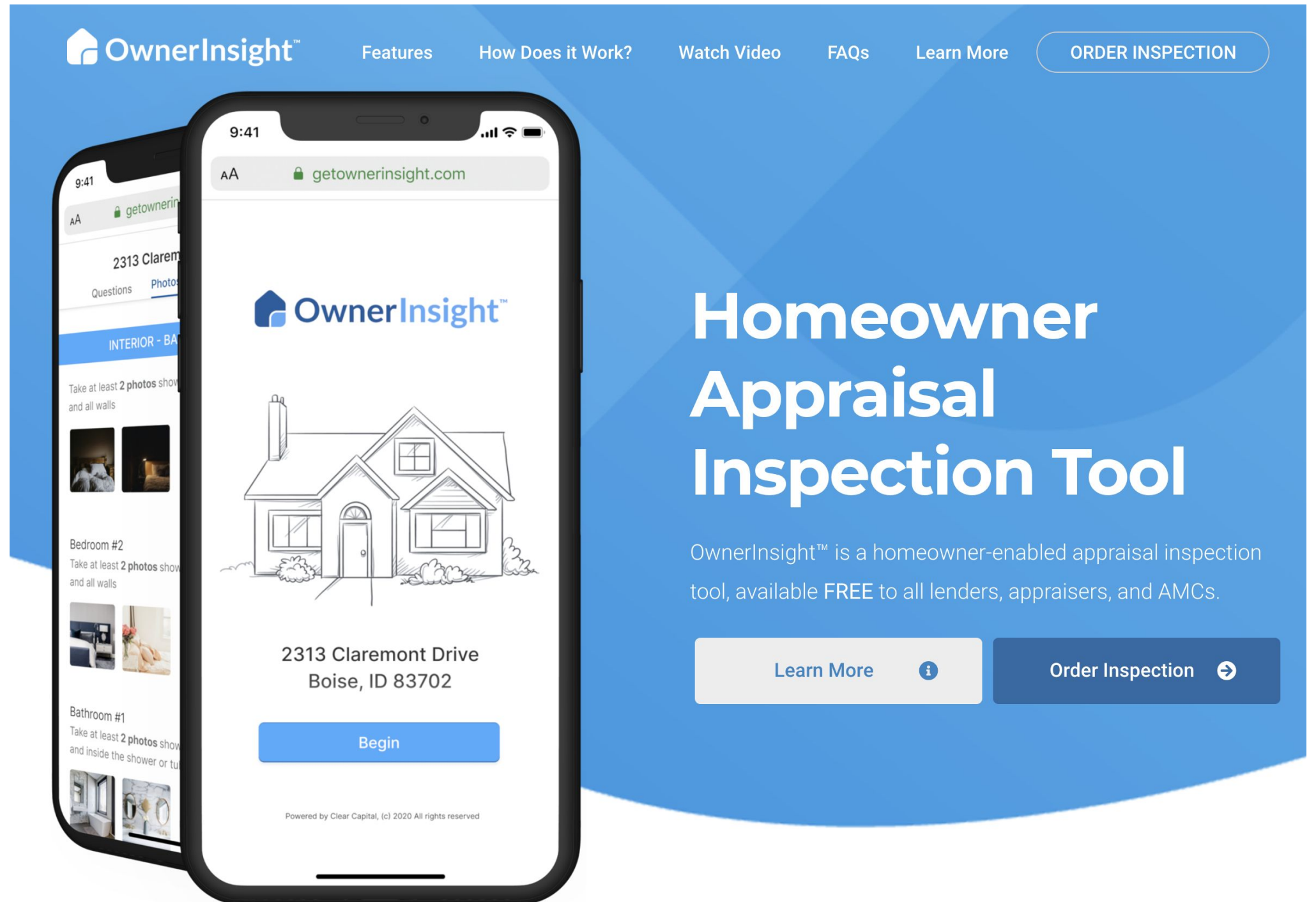


All photos in the report are time-stamped and geo-coded, validated to align to the Subject Property



How do I get started?

- 1 Visit [GetOwnerInsight.com](https://getownerinsight.com)
- 2 Click **Order Inspection**
- 3 Submit **Subject Address** and **Occupant Contact Info**



The image displays a promotional graphic for the OwnerInsight app. It features a blue background with a white smartphone in the center. The phone screen shows the app's main interface, which includes the OwnerInsight logo, a line-art illustration of a house, the address "2313 Claremont Drive, Boise, ID 83702", and a prominent blue "Begin" button. Above the phone, a desktop browser view of the website is visible, showing a navigation menu with links for "Features", "How Does it Work?", "Watch Video", "FAQs", and "Learn More", along with an "ORDER INSPECTION" button. To the right of the phone, the text "Homeowner Appraisal Inspection Tool" is written in large white font. Below this, a short description states: "OwnerInsight™ is a homeowner-enabled appraisal inspection tool, available FREE to all lenders, appraisers, and AMCs." At the bottom right, there are two buttons: "Learn More" with an information icon and "Order Inspection" with a right-pointing arrow icon.