# Seller Guide Update

SEL-2020-032: Temp. Flexibilities for VA Appraisals, Disasters, and Updated Overlays April 24, 2020

☒ Correspondent Lending
☒ Housing Finance Agency (HFA)

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## Summary

The following items have recently been updated in the U.S. Bank Correspondent Seller and HFA Division Lending Guides, specific to Loan Delivery, Underwriting and Credit Policy.

**U.S. Bank Correspondent Seller and HFA Division Lending Guides**

Unless notated within each section as Correspondent only policy or based on product availability such as Portfolio products available only in Correspondent, these updates are applicable to both our Correspondent and HFA lenders. The respective sections of the U.S. Bank Correspondent Seller and HFA Division Lending Guides are included in each section. This communication serves to announce changes and updates including an effective date. Always review the U.S. Bank Correspondent Seller and HFA Division Lending Guides for the most current policy. Guidelines are updated with the information in this communication and should be referred to instead of the communication for guidance.

## Underwriting, Delivery, and Product Grids

For overall ease of use, we have enhanced our communications to now include underwriting and delivery method checkboxes to each section when applicable. You'll also find a new grid that outlines the applicable products.

## Effective Date

Immediately unless otherwise noted within each section below.

## Keeping you informed

U.S. Bank continues to closely monitor the ever-changing landscape of our business as a result of the impacts of the coronavirus (COVID-19).

For information about our ongoing work to support our lending partners and customers, we invite you to visit our Correspondent/HFA COVID-19 Resource Page within AllRegs for regular updates and the most current information. We know you have many questions and we are diligently working to address each of them. We have developed a list of COVID-19 Frequently Asked Questions and will continue to update this document on a regular basis to keep you informed of process and policy updates.

For additional information about our ongoing work to support customers, we invite you to visit U.S. Bank's COVID-19 support site for regular updates and the most current information.


EQUAL HOUSING LENDER

This document in not a Consumer Credit Advertisement and is intended for Correspondent/HFA use only. This information is provided to assist Correspondents/HFA and is not a consumer credit advertisement as defined by Regulation Z. Please consult the Correspondent Seller Guide (https://uniteus.usbank.com) or the HFA Lending Guide (https://www.allregs.com/tpl/public/usb_bond_tll.aspx). Loan approval is subject to credit approval and program guidelines. Not all loan programs are available in all states for all amounts. Interest rates and program terms are subject to change without notice. Mortgage and Home Equity products are offered by U.S. Bank National Association. Deposit Products offered by U.S. Bank National Association. Member FDIC. ©2020 U.S. Bank. CR-18647106

## Temporary Flexibilities for Appraisals for VA Updated and Future SAR Requirements

| Underwriting/Delivery | |
|---|---|
| ☒ | Corr. Delegated |
| ☒ | Corr. Non-Delegated |
| ☐ | Corr. EZD |
| ☒ | Corr. Mandatory |
| ☒ | HFA Delegated |
| ☒ | HFA Non-Delegated |
| **Products** | |
| ☐ | Conv. (Freddie) |
| ☐ | Conv. (Fannie) |
| ☐ | Conv. (Portfolio) |
| ☐ | FHA |
| ☒ | VA |
| ☐ | Rural Development |

VA Circular 26-20-13 - Valuation Practices during COVID-19 (Updated) provided updates to VA's previous policy on flexibility for VA Appraisals. This update replaces all other communications on this topic including **SEL-2020-022**. Updates are in **green** below for your ease of review. VA also published Circular 26-20-14 introducing new appraisal review requirements and new Appraisal Management Service (AMS). Due to current volume and the COVID-19 environment, U.S. Bank will implement this at a later date and communicate at that time for non-delegated lenders.

### Temporary Appraisal Requirement Flexibilities

When an interior inspection is not obtainable due to COVID-19 pandemic, either a desktop appraisal or an exterior-only inspection appraisal in lieu of the interior and exterior inspection appraisal (i.e., traditional appraisal) will be allowed. We must document why this flexibility was utilized.

If a traditional appraisal is not obtained and there is insufficient information about the property for an appraiser to be able to complete an appraisal assignment with a desktop or exterior-only inspection appraisal, the loan will not be eligible for delivery to Ginnie Mae.

Borrowers should be made aware that refusing to allow an appraiser in when a traditional appraisal is required may delay the loan process.

The flexibilities apply to Purchase transactions loan amounts limited to **1½ times** the maximum Agency 2020 conforming loan limits for 1-unit limit for the county or county equivalent area. Purchase loan amounts greater than **1½ times** the conforming 1-unit county limit must have an interior exterior appraisal.

| Loan Purpose | Permissible Appraisals (in order of preference) |
|---|---|
| Purchase equal to or less than the **1½ times** the Agency 2020 conforming county loan limits for 1 unit | Traditional appraisal<br>Exterior-only appraisal *(excluding HFA)* |
| Purchases up to Agency 2020 conforming county loan limits for 1-unit | Desktop appraisal |
| Purchases exceeding the **1½ times** Agency 2020 conforming county loan limits for 1-unit | Traditional appraisal only |
| Cash Out Type I and Type II | Traditional appraisal only |
| IRRRL | No appraisal required |

### Desktop appraisals

For purchase money transactions when an interior and exterior appraisal is not available, desktop appraisals are preferred rather than an exterior-only appraisal.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information, and other third-party data sources to identify the property characteristics.

Lenders must state in both public notes in WebLGY and by email to the appraiser if they will accept a Desktop appraisal.

Each desktop appraisal report must include the following exhibits:

- a location map indicating the location of the subject and comparables, and
- photographs of the subject property. We recognize that it may be challenging in some instances to obtain photographs; however, it is expected that the appraiser utilize available means to obtain relevant pictures of the subject property.

## Temporary Flexibilities for Appraisals for VA Updated and Future SAR Requirements, continued

### Desktop appraisals, continued

VA requires appraisers to attach a copy of the provided Scope of Work (SOW) VA Circular 26-20-11 Exhibit A.

| Property Type | Acceptable Appraisal Form |
|---|---|
| One-unit property, including a unit in a planned unit development (PUD) or a VA approved condominium unit | Uniform Residential Appraisal Report 1004, 1073 |
| 2-4 Unit Property | Uniform Residential Appraisal Report 1004, 1025 |
| Manufactured Home | Uniform Residential Appraisal Report 1004C |

### Exterior-only inspection appraisals

| Property Type | Acceptable Appraisal Form |
|---|---|
| One-unit property, including a unit in a planned unit development (PUD) or a VA approved condominium unit | Uniform Residential Appraisal Report 2055/1075 |
| 2-4 Unit Property | Uniform Residential Appraisal Report 1025 |
| Manufactured home | Uniform Residential Appraisal Report 1004C |

For each exterior-only appraisal the appraiser will:

- review the full exterior of the property and provide photos of all sides of the property with detailed notes of the exterior and any visible MPRs. In instances of obstructed or restricted view and access is unable to be granted or allowed, Multiple Listing Service (MLS) photos of these areas may be utilized. If MLS photos are utilized, it must be explained in the appraisal report.
- Include a measurement of the footprint of the home should be provided if accessible. This is not to determine the gross living area (GLA) but for the appraiser to reconcile with public records.
- conduct a detailed interview over the phone with the occupant, Veteran, or real estate professional regarding the property. It is the appraiser's responsibility to obtain sufficient information to provide a creditable report. Interview questions should be noted and kept in the appraisers work file. Key items that may impact market value should be noted in the appraisal report with details about what was provided and by whom.

**HFA Note:** Exterior-only appraisals are not eligible for Housing Finance Agency (HFA) VA loans in that exterior-only appraisals are more limited in their assessment. For HFA, a full interior and exterior appraisal is required.

**Completion Reports:** Certification of Repairs will be completed with documentation from licensed personnel i.e. paid bill for repairs. Lead base paint repair certifications must still be completed by the appraiser.

**Termite Reports:** Termite Inspection report for properties located in an area on the Termite Infestation Probability Map of "very heavy" or moderate to heavy" will still be required.

## Temporary Flexibilities for Appraisals for VA Updated and Future SAR Requirements, continued

**Additional NOV Conditions:** Any additional items that need to be met on the NOV to comply with VA requirements must be met and completed in 60-days from the date of the NOV issuance.

**Reconsideration of Value:** Reconsideration of Value for purchase transactions will be restricted to no greater than 7 percent from the appraiser's opinion of value or $10,000 whichever is greater. VA has suspended ROV for cash out transactions.

**Appraisal Fees:** Fees for Exterior- Only appraisal with enhanced assignment conditions or a Desktop appraisal will remain the same as an Interior appraisal. VA may require appraisers to complete a 1004D appraisal update within one year of completing an Exterior-Only or Desktop appraisal under the same fee payment.

## Disaster Area Declarations

| Underwriting/Delivery | |
|---|---|
| ☒ | Corr. Delegated |
| ☒ | Corr. Non-Delegated |
| ☒ | Corr. EZD |
| ☒ | Corr. Mandatory |
| ☒ | HFA Delegated |
| ☒ | HFA Non-Delegated |
| **Products** | |
| ☒ | Conv. (Freddie) |
| ☒ | Conv. (Fannie) |
| ☒ | Conv. (Portfolio) |
| ☒ | FHA |
| ☒ | VA |
| ☒ | Rural Development |

The following counties have been declared as Presidential Disaster Area with Individual Assistance on the FEMA Disaster Website and re-inspection requirements detailed in our Correspondent Seller's and HFA Division Lending Guide must be met. In some cases, additional counties may have been added. Lenders are responsible for verifying procedures are in place to monitor new and/or updated declarations.

| Declaration Date | State | County |
|---|---|---|
| April 16, 2020 | MS | Covington, Jefferson Davis, and Jones |

**Guide Section:** 711.20 – Natural Disaster Procedures (VA), 712.20 – Natural Disaster Procedures (FHA), 713.21 – Natural Disaster Procedures (Conventional), 714.1.10 – Appraisal Procedures (Portfolio – Correspondent Only), 715.20: Natural Disaster Procedures (USDA)

## Correspondent/ HFA Overlay Matrices – New COVID-19 Temporary Flexibilities

| Underwriting/Delivery | |
|---|---|
| ☒ | Corr. Delegated |
| ☒ | Corr. Non-Delegated |
| ☒ | Corr. EZD |
| ☒ | Corr. Mandatory |
| ☒ | HFA Delegated |
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| **Products** | |
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| ☒ | Conv. (Fannie) |
| ☐ | Conv. (Portfolio) |
| ☒ | FHA |
| ☒ | VA |
| ☒ | Rural Development |

As we continue to evaluate and closely monitor the ever-changing landscape of our business as a result of the impacts of the coronavirus (COVID-19), we know that keeping you apprised of the ongoing updates is essential.

Effective immediately, we have updated our **Correspondent and HFA Overlay Matrices** to now include a section devoted specifically to **COVID-19 Related Overlays** including temporary flexibilities and any respective U.S. Bank overlay that has been added a result of the publication of the policy.

The new COVID-19 Related Overlays section has been added to the end of the matrix and includes the following highlights. Lenders are urged to review the matrix in its entirety for details.

- Appraisals (Desktop Only, Exterior Only, Drive-by/Exterior-Only)
- Cash Out Type 1 and Type II (Correspondent only)
- NOV Conditions
- Re-Verification of Employment
- Termite Inspections
- Verification of Business
- Verification of Employment

**Guide Update:** 1400: Overlay Matrix > Correspondent Overlay Matrix or HFA Overlay Matrix

## Updated Correspondent/ HFA COVID- 19 Frequently Asked Questions (FAQ)

| Underwriting/Delivery | |
|---|---|
| ☒ | Corr. Delegated |
| ☒ | Corr. Non-Delegated |
| ☒ | Corr. EZD |
| ☒ | Corr. Mandatory |
| ☒ | HFA Delegated |
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| ☒ | FHA |
| ☒ | VA |
| ☒ | Rural Development |

We have updated the COVID- 19 Frequently Asked Questions (FAQ) document with the most recent information including:

- Updated guidance provided for new COVID-19 Related Overlays
- Updated guidance provided for Temporary Flexibilities for Appraisals for VA Updated and Future SAR Requirements

The FAQ provides guidance for temporary relief of policies due to COVID-19. Please continue to reference the U.S. Bank Seller and HFA Lending Guides as primary resources for all U.S. Bank policies.

The FAQ is in our new Correspondent/HFA COVID-19 Resource Page within AllRegs. From the AllRegs home page, the FAQ is on the right hand side of the page in the 'Our Library Company Announcements' or under 'Our Library.'

**Guide Update:** COVID- 19 Frequently Asked Questions (FAQ)

## Questions

**Correspondent:** Please contact your Account Executive or the Client Support Area at 800.200.5881, option 1.

**HFA:** Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.