

KHC COVID-19 Appraisal Policy

During this COVID-19 national emergency, KHC is allowing temporary flexibilities to appraisal requirements per agency guidelines.

FHA

[Mortgagee Letter 2020-28](#)

- This Mortgagee Letter announces an extension of the effective date of [Mortgagee Letter 2020-05](#), published on March 27, 2020.
- The extension of Appraisal guidance in [Mortgagee Letter 2020-05](#) is effective immediately for appraisal inspections completed on or before October 31, 2020.

Changes to FHA's Appraisal Policy

- Permits the use of exterior-only or desktop-only appraisal inspections for purchase mortgages and exterior-only appraisal inspections for most refinance transactions.
- The Desktop-Only and Exterior-Only must continue to be reported on the current FHA approved appraisal forms.
- The appraisal report must include a signed certification including whether the Appraiser did or did not personally inspect the subject property and the extent of the inspection.

Exterior-Only Option

- Appraiser will observe the Property and Improvement from the street.
- Appraisal will be completed as is unless deficiencies are observed from the street.
- No sketch, interior photos, or rear exterior photographs are required.

Desktop-Only Option

- No sketch, interior photos, or rear exterior photographs are required.
- Appraiser will not physically observe property and improvements.
- The appraisal will be completed as is unless deficiencies are known.
- No comparable viewing or photos are required.

Repairs

When an Appraisal Update or Completion report (1004D) Part B is required to evidence the completion of required repairs, FHA will permit a letter signed by the borrower affirming that the work was completed with further evidence of completion, which may include photographs of the completed work, paid invoices, occupancy permits, etc. These flexibilities are not permitted of New Construction, Construction to Permanent, Building on Own Lands, and 203(K) transactions.

RHS

Effective immediately, the [HB-1-3555](#) dated March 27, 2020, is issuing the following exceptions for a period of 60-days. The temporary exceptions originally issued on March 27, 2020 due to the COVID-19 pandemic have been extended until November 30, 2020.

Appraisals

- When an appraiser is unable to complete an interior inspection of an existing dwelling, an "Exterior-Only Inspection Residential Appraisal Report", (FHLMC 2055/FNMA 2055) will be accepted.
- In such cases, appraisers are not required to certify that the property meets HUD HB 4000.1 standards.

- This exception is not applicable to new construction properties or construction to permanent loans.

Repairs

- A letter signed by the borrower confirming that the work was completed is permitted in lieu of repair inspections for existing dwellings.
- Lenders must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation.

VA

[Appraisal Policy from VA Circular 26-20-11](#)

The policies outlined in this circular are effective for all loans closed on, or after the date of this circular and until further notice or rescission date of April 1, 2021.

Exterior-Only

- The VA Fee panel members may use an Exterior-Only appraisal with enhanced assignment conditions or in limited instances a Desktop Appraisal.
- An appraiser may make an Extraordinary Assumption (EA) about the interior of a property. This is permitted by USPAP if the appraiser has a reasonable basis for the EA and still results in a credible analysis.
- The report will be completed “AS IS” unless there are MPR requirements the appraiser observed in the review of the property. Without an interior review of the property, the appraiser can make an EA concerning MPRs with the information available.
- Exterior-Only Appraisal. This report option with enhanced assignment conditions will be completed on the FNMA 2055/1075 URAR form. For manufactured home properties, appraisers will use the 1004C or 1025 form. Appraisers are to boldly and inconspicuously state “Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19.”

Desktop Appraisal Valuations

- This report option will be completed on the FNMA 1004, 1073, 1004C, 2025 and the appraiser will be required to attach a copy of the provided Scope of Work (SOW) Exhibit A, certifications, and assumptions in all reports.
- Appraisers are to boldly and inconspicuously state “Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19”.
- Desktop appraisals will be conducted when the appraiser’s assigned geographic jurisdiction has restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place.
- Lenders must state in both in “public” notes in WebLGY and by e-mail to the appraiser if they will accept a Desktop appraisal. If the lender will not accept a Desktop appraisal, the appraiser will place the assignment on hold for 30 days and then subsequently cancel, if the status has not changed.

Fannie Mae

Highlights of the [Fannie Mae Lender Letter \(LL-2020-04\)](#)

- Extension of effective date: extending the application dates eligible for these temporary flexibilities to October 31, 2020.

Traditional Appraisal

- KHC prefers a traditional appraisal. When an interior inspection is not feasible because of COVID-19 concerns, KHC will accept a desktop appraisal or an exterior-only inspection appraisal in lieu of the interior and exterior inspection appraisal.

Exterior-Only Inspection Appraisals

- Lenders are reminded that the following exhibits to the appraisal report are required for an exterior-only inspection appraisal:
 - A street map that shows the location of the subject property and of all comparable sales that the appraiser used;
 - Clear, descriptive photographs that show the front of the subject property, and that are appropriately identified (photographs must be originals that are produced either by photography or electronic imaging); and
 - Any other data – as an attachment or addendum to the appraisal report form—that are necessary to provide an adequately supported opinion of market value.

Desktop Appraisals

- The 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. It is reported on Form 1004 or Form 1073 and submitted to Fannie Mae through the Uniform Collateral Data Portal (UCDP).
- The revised scope of work, statement of assumptions and limiting conditions, and certifications must accompany the form.
- The appraiser must identify Desktop Appraisal was performed by populating the Map Reference field on the appraisal with Desktop.

Flexibilities for New Construction Loans

- Where the appraisal is subject to completion per plans and specifications, and when the property is 100% complete but an interior or exterior inspection cannot be completed, Fannie Mae will permit a desktop appraisal using the following forms:
 - One-unit property – Form 1004
 - Condominium unit – Form 1073
 - Manufactured Home – Form 1004C

Completion Reports (Form 1004D)

- Fannie Mae will permit a letter signed by the borrower confirming that the work was completed. Lenders must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation.