

MPF Announcement:

2020-15

Date:

April 6, 2020

Alert:

Clarification

New Policy

Policy Update

Reminder

Training Information

Audience:

Compliance/Legal

Program Management

Origination

Quality Control

Servicing

Underwriting

Product:

MPF Direct

MPF Government MBS

MPF Traditional

MPF Xtra[®]

Effective Date:

Immediately (*unless otherwise noted*)

Impact of COVID-19 on Appraisals and use of Automated Underwriting Systems

Reference

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

Visit the [MPF Website](#) to review and register for upcoming complimentary [MPF Webinars](#).

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The MPF Program is actively monitoring reports about the potential impact of COVID-19 (coronavirus) on borrowers, PFIs and Servicers. During this COVID-19 national emergency, in many cases Originators are unable to obtain an appraisal based on a full interior and exterior inspection of the subject property. In response, we are communicating temporary policies in this MPF Announcement to enable PFIs to better assist new construction MPF Traditional Conventional loan borrowers impacted by COVID-19, and removing the order of preference for permissible appraisals announced in MPF Announcement 2020-14.

A clarification about use of Automated Underwriting Systems is also provided.

Effective date: The policies in this Announcement are effective immediately for all loans in process and remain in place for loans with **application dates on or before May 17, 2020**.

PFIs and Servicers are expected to abide by any/all federal or state laws or proclamations that may affect borrowers or loans affected by COVID-19.

In addition, PFIs and Servicers originating, delivering or servicing:

- MPF Government loans and MPF Government MBS loans must follow relief policies and guidance issued by the applicable Government Agencies.

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The MPF Program will continue to evaluate the situation to determine whether this Announcement or MPF Guide provisions should be modified to provide additional relief.

MPF Traditional

PFIs and Servicers of **MPF Traditional (Conventional)** loans should be familiar with previous COVID-19 related announcements:

- [MPF Marketing Bulletin 2020-04](#) - MPF Program Weekly Recap - COVID 19 Communications
- [MPF Announcement 2020-14](#) - Impact of COVID-19 on Appraisals
- [MPF Announcement 2020-12](#) - Impacts of COVID-19 on Servicing
- [MPF Announcement 2020-10](#) - Impact of COVID-19 on Mortgage Loan Originations
- [MPF Announcement 2020-9](#) - Servicing Updates on the Impacts of COVID-19
- [MPF Announcement 2020-7](#) - Important Seller/Servicer Information on Potential Impacts of COVID-19

The following guideline updates for MPF Traditional (Conventional) loans are in addition to, and supersede the previous announcements where they conflict.

New construction loans

For new construction properties where the property is 100% complete but an interior and exterior inspection appraisal cannot be completed, the MPF Program will permit a desktop appraisal on the forms identified in the following table. These requirements apply to purchase transactions only and exclude all construction-to-permanent loans.

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Uniform Residential Appraisal Report (Form 1004)</i>
Condominium unit	<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>
Two- to four-unit property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

To accommodate the desktop appraisal on the existing forms, the revised scope of work, statement of assumptions and limiting conditions, and certifications must accompany the form. Additionally, as noted below, the appraiser must identify a desktop appraisal was performed by populating the *Map Reference* field on the appraisal with “desktop.”

Documentation requirements for new construction loans

When construction on the property is 100% complete, and the appraisal report will be completed “as is,” the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (i.e., a photograph down the street in both directions)
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
- A copy of the complete, ratified sales contract, and all addenda

Builder certification

The lender must obtain a signed Builder Certification attesting that the information provided is true and correct. This certification must be included in the loan file.

Completion reports for new construction properties

For new construction properties where the appraisal report was completed “subject to completion per plans and specifications,” if the lender is unable to obtain a completed Appraisal Update and/or Completion Report (Form 1004D) as a result of COVID-19 related issues, the MPF Program will accept the Completion of Construction Certification.

UPDATES TO MPF ANNOUNCEMENT 2020-14 ACCOMMODATIONS

Temporary appraisal requirements **UPDATED**

The order of preference for permissible appraisals is being removed, see updated chart below:

Loan purpose	LTV ratio	Occupancy	Permissible appraisals <i>(in-order-of-preference)</i>
Purchase*	≤ 85%	Second home	Traditional appraisal Desktop appraisal Exterior-only appraisal
	> 85%	Second home	Traditional appraisal
Rate and term refinance	Per MPF Program Eligibility	All	Traditional appraisal Desktop appraisal Exterior-only appraisal
Cash out refinance	Per MPF Program Eligibility	All	Traditional appraisal

*Excludes ~~new construction and~~ construction-to-permanent loans.

Automatic Underwriting Systems (AUS)

Pursuant to the MPF Traditional Selling Guide Section 4.2.1, MPF Traditional (Conventional) Mortgage Loans may be underwritten with either

AUS (Fannie Mae's Desktop Underwriter® (DU®) or Freddie Mac's Loan Product Advisor®) and must follow the overall program requirements, underwriting requirements, and eligibility requirements of the applicable GSE for that Mortgage Loan. The MPF Guides provide certain MPF Program Requirements that supersede Fannie Mae/DU and Freddie Mac/Loan Product Advisor requirements, including the requirement that there be a full Interior/Exterior Appraisal, or a DU eligible Appraisal Waiver if the MPF Program and any specific MPF Bank requirements for appraisal waivers are met.

This Announcement clarifies that the COVID-19 related appraisal accommodations provided for in recent MPF Announcements supersede the current full Interior/Exterior Appraisal requirement. DU eligible Appraisal Waiver continue to be acceptable, if acceptable to the MPF Bank, and if MPF Program and any specific MPF Bank requirements for appraisal waivers are met. Mortgage loans with Freddie Mac ACE appraisal waivers are still not eligible.

General resources

The MPF Program is pleased to continue providing support to PFIs/Servicers in these difficult times. Please contact the MPF Service Center with any questions or concerns (877-FHLB-MPF).