

## Updates Related to COVID-19

**EFFECTIVE DATE: 03-23-2020**

04-15-2020: This Bulletin has been updated with the following:

- Reflect verification of self-employment is required within ten (10) business days of the Note Date.
- Added releases from Fannie Mae and Freddie Mac which were issued 04-14-2020.
- Amended VA Valuation Practices to align with [Circular 26-20-13](#) and [Exhibit A](#).

First Guaranty Mortgage Corporation (FGMC) is committed to providing our lending partners with the highest level of customer service during this uncertain time. The updates below have been developed to provide clarity on loan file documentation and the surrounding requirements. This is effective immediately.

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## 4506-T Validation - Excluding USDA

If the IRS validation was delayed because of the IRS temporary suspension and the transcript is not processed by the IRS prior to closing, the loan will be allowed to close with the transcript required as a trailing doc. Upon receipt, the transcript must be compared to the income documentation. If there are no inconsistencies, the condition may be cleared. If there are inconsistencies, the deficiency must be addressed and remedied in a timely manner. Failure to remedy the deficiency will result in a self-report to the applicable Agency and/or Investor.

## 4506-T Validation - USDA

When the lender is unable to obtain transcripts from the IRS for an applicant or required household member, the lender may document their correspondence to and from the IRS in the permanent loan file to support the omission. “Failure to file” tax returns when legally required to do so is not an eligible explanation. The asset statements must be reviewed to ensure no errant deposits are identified that may be attributed to additional income sources. The loan file will be considered complete when the explanation is documented. Loan closings will not be delayed due to obstacles in obtaining the tax transcripts.

## Title Requirements

- Activity may proceed in counties in which the courthouse is operational, searches can still be completed online, or the county accepts E-Recording.
- A 2006 ALTA title insurance form with Covered Risk 14 provides gap coverage for matters arising between the loan closing date and the mortgage recording date. This

will be considered acceptable as long as there is no exception for this coverage under Schedule B of the policy.

- If Covered Risk 14 is not evident, the final title insurance policy must include evidence of Gap Insurance for the time between disbursement and recording of the new deed and/or mortgage.

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## Federal Installment Agreements

On 03-25-2020, the IRS published a [news release](#) which addresses existing installment agreements:

For taxpayers under an existing Installment Agreement, payments due between April 1 and July 15, 2020 are suspended. Taxpayers who are currently unable to comply with the terms of an Installment Payment Agreement, including a Direct Deposit Installment Agreement, may suspend payments during this period if they prefer. Furthermore, the IRS will not default any Installment Agreements during this period. By law, interest will continue to accrue on any unpaid balances.

As such, when a borrower is repaying a federal debt with an installment agreement, FGMC will require that the account was current for the payment due prior to 04-01-2020. The applicable agency requirement regarding the number of consecutive payments that must be documented remains in place.

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## Self-Employed Verification – FGMC Overlay

FGMC will require evidence that the borrower(s) business is operational within ten (10) days of the Note Date (vs 30 as previously communicated).

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## Active Forbearance Plan

Effective immediately, a borrower that is in an active forbearance plan, or pending acceptance of a forbearance plan, is ineligible for a new transaction with FGMC. This is applicable to all transaction types (purchase and refinance). The forbearance plan will need to be resolved prior to completing the new transaction. This guidance is applicable to a borrower in any type of forbearance plan, regardless if the borrower has been making payments during the forbearance.

## Conventional

### Fannie Mae Valuation Practices

Fannie Mae issued [Lender Letter-2020-04](#), *Impact of COVID-19 on Appraisals*, on 03-23-2020, with an updates released on 03-31-2020 and 04-14-2020. The following topics are addressed in complete detail within the Lender Letter; these flexibilities are applicable for all loans in process and remain in place for loans with an application date on or before 05-17-2020:

- Flexibilities for condominium project reviews (added 04-14-2020)
- Virtual inspections for appraisals (added 04-14-2020)
- Flexibilities for new construction loans (updated 04-14-2020)
- Temporary appraisal requirement flexibilities (updated 04-14-2020)
  - Desktop appraisals
  - Exterior-only inspection appraisals
  - Revisions to the scope of work, statements of assumptions and limited conditions, and appraiser's certifications
  - Additional form instructions for appraisals (updated 04-14-2020)
- Completion reports (Form 1004D)

### Fannie Mae Lender Guidance

Fannie Mae issued [Lender Letter-2020-03](#), *Impact of COVID-19 on Originations* on 03-23-2020, with an update released on 03-31-2020 with additions to the Lender Letter. The following topics are addressed in complete detail within the Lender Letter; these flexibilities are applicable for all loans in process and remain in place for loans with an application date on or before 05-17-2020:

- Powers of attorney
- Remote online notarization
- Verbal verification of employment alternative options
- Lender quality control requirements

Note: Reference FGMC Bulletin 008-20-W, *Agency Requirements Related to COVID-19*, for a summary of the below topics addressed in Fannie Mae Lender Letter-2020-04. The direction on these items is effective for mortgages with an application dated between 04-14-2020 and 05-17-2020:

- Age of documentation
- Verification of self-employment

- Market-based assets

## Freddie Mac Lender Guidance

Freddie Mac issued [Bulletin 2020-5](#), ***Selling Guidance Related to COVID-19***, on 03-23-2020. The following topics are addressed in complete detail within the Bulletin; these flexibilities are applicable for all loans in process and remain in place for loans with an application date on or before 05-17-2020:

- Credit Underwriting
  - Verbal verification of employment
  - Continuance of income
- Temporary guidance related to property valuation requirements
  - Exterior-only inspections
  - Desktop appraisals
  - Revisions to the scope of work, statements of assumptions and limited conditions, and appraiser's certifications
  - Additional form instructions for appraisals
- Completion reports

Freddie Mac issued [Bulletin 2020-8](#), ***Selling Guidance Related to COVID-19***, on 03-31-2020. The following topics are addressed in complete detail within the Bulletin; these flexibilities are applicable for all loans in process and remain in place for loans with an application date on or before 05-17-2020:

- Appraisal flexibilities for new construction properties
- Acceptable uses of a power of attorney
- Remote online notarizations
- Flexibilities regarding post-funding quality control requirements

Freddie Mac issued [Bulletin 2020-11](#), ***Selling Guidance Related to COVID-19***, on 04-14-2020. The following topics are addressed in complete detail within the Bulletin; these flexibilities are applicable for all loans in process and remain in place for loans with an application date on or before 05-17-2020:

- Temporary condominium project flexibilities
- Appraisal flexibility updates

Note: Reference FGMC Bulletin 008-20-W, *Agency Requirements Related to COVID-19*, for a summary of the below topics addressed in Freddie Mac Bulletin 20-20-8. The direction on

these items is effective for mortgages with application dated between 04-14-2020 and 05-17-2020:

- Credit Underwriting
  - Age of income and asset documentation
  - Verification of self-employment
  - Stocks, stock options and mutual funds

Reference the following additional resources:

- [Freddie Mac – Attachment A to Bulletin 2020-5](#)
- [Freddie Mac – Attachment B to Bulletin 2020-5](#)
- [Freddie Mac – Attachments A, B & C to Bulletin 2020-8](#)
- [Fannie Mae COVID-19 FAQ's](#)
- [Freddie Mac COVID-19 FAQ's](#)
- Link to the Loan Look-Up Tool: [FNMA](#); [FHLMC](#)

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## FHA

FHA has issued [Mortgagee Letter 2020-05](#), ***Re-verification of Employment and Exterior-Only and Desktop-Only Appraisal Scope of Work Options for FHA Single Family Programs Impacted by COVID-19***. This guidance is effective immediately and is valid through 05-17-2020.

### Changes to FHA's re-verification of employment

Mortgagees do not need to provide a re-verification of employment within ten (10) days of the Note Date as described in Handbook 4000.1, provided that the Mortgagee is not aware of any loss of employment by the borrower and has obtained:

- For forward purchase transactions, evidence the Borrower has a minimum of two (2) months of Principal, Interest, Taxes and Insurance (PITI) in reserves; and
- A year-to-date paystub or direct electronic verification of income for the pay period that immediately precedes the Note Date, or
- A bank statement showing direct deposit from the Borrower's employment for the pay period that immediately precedes the Note Date.

### Changes to FHA's Appraisal Protocols

- Most Single Family Forward Purchase transactions may utilize an optional Exterior-Only or Desktop-Only Appraisal inspection scope of work.

- Traditional Rate and Term Refinances and Simple Refinances of properties may utilize an optional Exterior-Only inspection scope of work.
- All appraisals made in connection with the servicing of FHA's forward mortgage portfolios may utilize either the Exterior-Only or Desktop-Only Appraisal inspection scope of work.
- No changes are made to Streamline Refinances, which do not require appraisals or to the appraisal requirements for FHA's Cash-Out refinance, 203(k), and certain purchase transactions.

Reference the following resources for complete details:

[Mortgagee Letter 2020-05](#)

[FHA COVID-19 FAQs](#)

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## USDA

The USDA has published ***Single Family Housing Guaranteed Loan Program Temporary Exceptions to Interior Inspection Appraisals and Verbal Verification of Employment in Relation to COVID-19 Pandemic***. Effective 03-27-2020, the following exceptions to Agency guidance found at HB-1-3555 are in effect for a period of 60-days.

### Residential Appraisal Reports – Existing Dwelling

For purchase and non-streamlined refinance transactions, when an appraiser is unable to complete an interior inspection of an existing dwelling due to concerns associated with the COVID-19 pandemic, 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. The appraisal must be completed in accordance with the Uniform Standards of Professional Practice (USPAP) and the Uniform Appraisal Dataset (UAD).

This exception is not applicable to new construction properties or construction to permanent loans. As a reminder, appraisals are not required for streamlined and streamlined-assist refinance transactions.

### Repair Inspections – Existing Dwelling

Loans for which a completion certification is not available due to issues related to the COVID-19 pandemic, a letter signed by the borrower confirming that the work was

completed is permitted. 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. All completion documentation must be retained in the loan file.

This exception is not applicable to rehabilitation and repair loans noted in section 12.28 of HB-1-3555.

### Verbal Verification of Employment

Lenders must document and verify the borrowers annual and repayment income in accordance with Agency regulations. Lenders should use due diligence in obtaining the most recent income documentation to reverify the borrowers repayment ability prior to closing. When the lender is unable to obtain a Verbal Verification of Employment (VVOE) within ten (10) business days of loan closing due to a temporary closure of the borrower's employment, alternatives should be explored. For example, email correspondence with the borrower's employer is an acceptable alternative to a VVOE. If the lender is unable to obtain a VVOE or acceptable alternative, the requirement will be waived when the borrower has a minimum of 2 months cash reserves.

In the case of a reduction of income, the borrower's reduced income must be sufficient to support the new loan payment and other non-housing obligations. Borrowers with no income at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.

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## VA

### VA Valuation Practices

Note that two Circulars regarding VA Valuation Practices are published. The instructions within Circular 26-20-11 are applicable to applications dated prior to 04-10-2020. Circular 26-20-13 is effective for applications dated on or after 04-10-2020. This has been confirmed with the Department of Veterans Affairs.

For appraisals completed on or after 03-27-2020 and through applications on or before 04-09-2020, the requirements of [Circular 26-20-11](#), ***Valuation Practices during COVID-19***, and [Exhibit A](#), ***Modified Set of Instructions, Scope of Work, Statement of Assumptions and***



***Limiting Conditions and Certifications for Desktop Appraisals***, must be followed and documented accordingly.

Effective with applications dated on or after 04-10-2020, the requirements for Circular 26-20-11 are replaced with [Circular 26-20-13](#), ***Valuation Practices during COVID-19***. All requirements of this Circular and [Exhibit A](#), ***Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certifications for Desktop Appraisals***, must be followed and documented accordingly.

## VA Lender Guidance

The VA has issued [Circular 26-20-10](#), **Lender guidance for Borrowers Affected by COVID-19**. This guidance is applicable for all loans closed on or after 03-27-2020, until further notice. Reference the Circular for complete details on the following topics:

- Income Verification Guidelines
- Underwriting Loans
- Electronic Mortgages (eMortgages), Electronic Notes and the use of Allonges
  - Promissory Note Requirements
  - Electronic Notarization
- Lien Position
- Timeline to Request Evidence of Guaranty (Loan Guaranty Certificate)

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With the fluidity of issues surrounding COVID-19, this document will be updated as needed to communicate further instructions.