

Recently, Land Home Financial Services, Inc (LHFS) and each of the Agencies have published announcements providing temporary measures to address the impacts of COVID-19 (Coronavirus). Please utilize this document as a summary of temporary LHFS and Agency requirements during COVID-19.

Not all Agency guides and handbooks, AUS messaging, and LHFS program guides will be updated to reflect these temporary policies.

See the “[Resources](#)” section below for a list of related Agency announcements, effective dates, and links to related publications. These include FAQs that may be updated without a subsequent Agency announcement.

TPO Partners are reminded that, while each Agency has published announcements to facilitate the mortgage market, all Agency and LHFS representations and warranties, and, except as otherwise noted, government Agency insuring and guaranty requirements are unchanged.

- Given the potential impact of COVID-19 on the economy, LHFS strongly recommends that TPO Partners employ and document additional underwriting diligence, especially as it relates to borrower employment or self-employment as well as continuity of income.

## QUICK ACCESS:

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- [LHFS COVID-19 Announcement](#)
- [Title Requirements](#)
- Temporary Guidance
  - [Fannie Mae & Freddie Mac](#)
    - [Fannie Mae & Freddie Mac Temporary Appraisal Requirements](#)
  - [FHA](#)
  - [VA](#)

## TITLE REQUIREMENT FOR ALL LOAN TYPES

- 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.

## FANNIE MAE & FREDDIE MAC TEMPORARY APPRAISAL REQUIREMENTS

**FYI: Effective for all loans in process on March 23, 2020 and remain for all loan applications received on or before May 31, 2021.**

**In all situations where a desktop or exterior-only inspection appraisal is performed, the appraiser must include a comment that the interior inspection is not feasible due to COVID-19 concerns.**

Provide appraisal on Form 1004 with interior/exterior inspection for Single Family Residence.

Loan Purpose	LTV Ratio	Occupancy	Ownership of Loan Being Refinanced	Permissible Appraisals* (in order of preference)
Purchase	Up to 97%	Principal / Primary Residence	N/A	Interior and Exterior Appraisal Desktop Appraisal Exterior-Only Appraisal
	≤ 85%	Second Home, Investment		
	> 85%	Second Home		Interior and Exterior Appraisal
Refinance	Any LTV	Any Occupancy	Any Ownership	<u>Interior and Exterior Appraisal</u>
Limited Cash-Out Refinance	Per Matrix	Any Occupancy	Servicer to Servicer Freddie Mac owned to Freddie Mac, or Fannie Mae owned to Fannie Mae	Traditional Appraisal or Exterior-only appraisal

\*Appraisal Waivers: For both purchase and refinance, appraisal waivers may be used when offered by AUS. (See the Appraisals and Appraisers sections in the LHFS program guides for additional restrictions and overlays that may apply.)

Interior and exterior inspection appraisals are required for:

- second home purchase transactions with LTV ratios > 85%,
- limited cash-out / no cash out refinance transactions when the loan being refinanced is not owned by servicer (i.e. Freddie Mac to Freddie Mac or Fannie Mae to Fannie Mae), and
- cash-out refinance transactions

## FANNIE MAE & FREDDIE MAC TEMPORARY GUIDANCE

Topic	Summary of Interim Fannie Mae/Freddie Mac Guidance and Related LHFS Requirements:	Fannie Mae	Freddie Mac
Age of Documentation	<p><b>Age of documentation</b> requirements for all loans for most income and asset documentation must be no more than 60 days prior to the Note Date, except as follows:</p> <ul style="list-style-type: none"> <li>• Most recently issued quarterly statement for asset accounts;</li> <li>• For electronic employment (Fannie only) and income verifications obtained from third-party verification service providers, the information must now be dated no more than 60 days prior to the Note Date;</li> <li>• Refer to the Agency announcement for types of income (e.g., military income, Social Security, retirement income, etc.); the lender can continue to apply standard age of document requirements.</li> </ul>	X	X
Verbal Verification of Employment (VVOE)	<p><b>Alternative VVOE:</b></p> <ul style="list-style-type: none"> <li>• An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status within the same timeframe as the verbal VOE requirements.</li> <li>• Year-to-date (YTD) paystub from the pay period that immediately precedes the Note Date.</li> <li>• Asset statement evidencing the payroll deposit from the pay period that immediately precedes the Note Date.             <ul style="list-style-type: none"> <li>• When this option is utilized, the statement will be scrutinized as with any other asset statement, including deposits, NSF's and start/end balances.</li> </ul> </li> <li>• While FNMA and FHLMC permit obtaining the 10-day pre-closing verification after the Note Date but prior to delivery to the Agency, LHFS will be verifying borrower is employed prior to closing. If you have knowledge that a borrower is currently furloughed without pay, laid off, or pending unemployment, please cancel or put the file on hold until borrower is re-employed.</li> </ul> <p><b>Verification of self-employment</b> must be confirmed within 10 business days of the Note Date (or after closing). Refer to the Agency announcement for examples of methods the lender may use to confirm the borrower's business is currently operating.</p>	<u>X</u>	<u>X</u>
Continuity of Income	<p><b>Income Disruption:</b> If the employer is not open for business at the time of loan closing, the loan is not eligible.</p>	X	X
	<p><b>Income Disruption:</b> If documentation reflects evidence of reduced hours and/or pay, follow standard Agency guidance for decreasing income. (Declining income may not be averaged.)</p>	X	X
	<p><b>Leave:</b> "Income while on temporary leave" must meet the requirements in the applicable Agency guide.</p>	X	X
Self-Employed Income Documentation	<p><b>Self-Employment VVOE:</b> If the borrower is self-employed and owns a business that is closed, the income may not be used to qualify</p> <p><b>New Documentation Requirements for All Self-Employed Borrowers</b>          The following documentation must be obtained when assessing income from self-employment:</p> <ul style="list-style-type: none"> <li>• An audited year-to-date (YTD) profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date and be <b>dated within 60 calendar days prior to the Note Date.</b></li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>• An unaudited year-to-date (YTD) profit and loss statement that is signed by the Borrower and reports business revenue (i.e. gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement must cover the most recent month preceding the Application Received Date and be <b>dated no more than 60 calendar days prior to the Note Date.</b></li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>• Two months business account statements no older than the latest two months represented on the YTD profit and loss statement.             <ul style="list-style-type: none"> <li>• For example, if the YTD profit and loss statement is through May 31, 2020, the business account statements can be no older than for April and May.</li> <li>• Personal asset account statements evidencing business deposits and expenses may be used when the Borrower is an owner of a small business and does not have a separate business account.</li> </ul> </li> </ul>	X	X



FANNIE MAE & FREDDIE MAC TEMPORARY GUIDANCE - CONTINUED

Topic	<b>Summary of Interim Fannie Mae/Freddie Mac Guidance and Related LHFS Requirements:</b> <ul style="list-style-type: none"> <li>• “X” indicates LHFS has adopted the interim Agency guidance.</li> <li>• Items not marked with an “X” indicate the applicable Agency has not issued interim guidance on that topic. Follow standard guidelines.</li> <li>• Underlined “<u>X</u>” indicates an overlay to the Agency interim guidance.</li> </ul>	Fannie Mae	Freddie Mac
<b>Market-Based Assets</b>	<b>Stocks, Stock Options, and Mutual Funds:</b> When the borrower is using stocks, stock options, or mutual funds for assets: <ul style="list-style-type: none"> <li>• For down payment or closing costs, evidence of receipt of funds realized from the sale or liquidation must be documented in all cases.</li> <li>• For reserves, only 70% of the value of the asset must be considered, and liquidation is not required.</li> </ul>	X	X
<b>Powers of Attorney</b>	<b>Power of Attorney (POA):</b> Temporary POA requirement flexibilities are not allowed; however, lender must apply new requirements (see below) in the Agency announcement along with standard POA requirements as stated in the Agency Selling Guide and meet the requirements in the applicable Program Guides and Overlay Matrix.	<u>X</u>	<u>X</u>



## FHA TEMPORARY GUIDANCE

- Recent FHA announcements regarding COVID-19 interim guidance addressed below:
  - [Mortgagee Letter 2021-06, Extension of Re-verification of Employment and Exterior-Only Appraisal scope of work \(SOW\) option for Federal Housing Administration \(FHA\) Single Family programs impacted by the Coronavirus Disease of 2019](#)
  - [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](#)
  - [Mortgagee Letter 2020-24, Guidance for Verification of Self-Employment and Rental Income](#)
  - [FHA COVID-19 FAQ](#)

Topic	Summary of Interim FHA Guidance and Related LHFS Requirements:	FHA
Verbal Verification of Employment (VVOE)	<b>Summary of Interim FHA Guidance and Related LHFS Requirements:</b> <ul style="list-style-type: none"> <li>“X” indicates LHFS has adopted the interim Agency guidance.</li> <li>Items not marked with an “X” indicate the applicable Agency has not issued interim guidance on that topic. Follow standard guidelines.</li> <li>Underlined “X” indicates an overlay to the Agency interim guidance.</li> </ul>	
	<b>VVOE:</b> A verbal or written re-verification of employment must be in the loan file at the time of loan file closing.	<b>X</b>
	<b>Permitted Alternative VVOE: (Effective for cases closed on or before June 30, 2021)</b> Re-verification is not required provided that the Mortgagee is not aware of any loss of employment and has obtained: <ul style="list-style-type: none"> <li>2 months PITI reserves (for purchase transactions); and</li> <li>YTD paystub or direct electronic verification of income for the pay period that immediately precedes the Note date, or</li> <li>Bank statement showing direct deposit from the Borrower's employment for the pay period that immediately precedes the Note date.</li> </ul>	<b>X</b>
	<b>Self-Employment: (Effective for cases closed on or before June 30, 2021)</b> Verify the existence of the borrower's business within 10 calendar days prior to the date of the Note to confirm that the Borrower's business is open and operating. Must obtain one of the following to verify and confirm that the business is open and operating: <ul style="list-style-type: none"> <li>Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day self-employment is verified);</li> <li>Evidence of current business receipts within 10 days of the note date (payment for services performed);</li> <li>Lender certification that the business is open and operating (confirmed through a phone call or other means); or</li> <li>Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled)</li> </ul>	<b>X</b>
FHA Streamline	<b>Self-Employment (overlay):</b> LHFS will require evidence that the borrower(s) business is operational at time of loan closing.	<b>X</b>
Repair Inspections	While these programs do not require verification of employment by HUD, LHFS will require verification of ability to repay or employment status effective immediately. One borrower on each loan must be gainfully employed or provide evidence of retirement, disability, or other income. <b>Repair Inspection Alternative:</b> A letter signed by the borrower confirming that the work was completed is acceptable; and <ul style="list-style-type: none"> <li>Further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation.</li> <li>Not permitted for new construction and construction-to-permanent.</li> </ul>	<b>X</b>
Valuations – Appraisals	<b>Effective for appraisal inspections completed on or before June 30, 2021.</b> <b>General:</b> Most purchase, rate and term refinance, and simple refinance loans may utilize an <i>exterior-only</i> or <i>desktop-only</i> appraisal inspection, subject to the requirements in <a href="#">ML-20-05</a> . <ul style="list-style-type: none"> <li>Must be reported on the existing Acceptable Appraisal Reporting Forms by Property and Assignment Type that are compatible with the EAD portal.</li> <li>Not permitted on Cash-Out Refinance.</li> <li>Not permitted on new construction or construction-to-permanent loans.</li> </ul>	<b>X</b>
	<b>Scope of Work, Statements of Assumptions and Limited Conditions, and Appraiser's Certifications with modified language</b> must be used with <i>desktop appraisal reports and exterior-only appraisal reports</i> . See FHA <a href="#">model certifications</a>	<b>X</b>
Valuation - Property Completion Reports	<b>442/1004 Alternative:</b> A letter signed by the borrower confirming that the work was completed is acceptable; and <ul style="list-style-type: none"> <li>Further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation.</li> <li>*Not permitted for new construction and construction-to-permanent.</li> </ul>	<b>X</b>





## VA TEMPORARY GUIDANCE

- Recent VA announcements regarding COVID-19 interim guidance addressed below:
  - [VA Circular 26-20-13 Valuation Practices During COVID-19](#)
  - [VA Circular 26-20-10 Lender Guidance for Borrowers Affected by COVID-19](#)
  - [VA Circular 26-20-11 Valuation Practices During COVID-19](#)

Topic	Summary of Interim VA Guidance and Related LHFS Requirements:	VA
<b>Verification of Employment (VOE)</b>	<b>VOE:</b> A written verification of employment must be in the loan file at the time of loan closing.	<u>X</u>
	<b>Permitted Alternative VOE:</b> If unable to verify employment due to impacts of COVID-19: <ul style="list-style-type: none"> <li>• (Option 1) a third-party service. (No additional fee may be charged to the veteran.)</li> <li>• (Option 2) Evidence of direct deposit from a bank statement <u>and</u> paystubs covering at least one full month of employment within 30 days of the closing date. Reconcile payment amounts between the paystubs and direct deposit listed on the bank statement.               <ul style="list-style-type: none"> <li>• If Option 2 is used, document in VA Form 26-6393 box 47 and the supporting documentation.</li> </ul> </li> </ul>	<u>X</u>
	<b>Not Permitted Alternative VOE:</b> LHFS will <u>not</u> accept cash reserves in lieu of a written VOE.	<u>X</u>
	<b>Self-Employment:</b> LHFS will require evidence that the borrower(s) business is operational at time of loan closing versus 120 days of the Note Date.	<u>X</u>
<b>VA IRRRL</b>	While these programs do not require verification of employment by VA, LHFS will require verification of ability to repay or employment status effective immediately. One borrower on each loan must be gainfully employed or provide evidence of retirement, disability, or other income.	<u>X</u>
<b>Continuity of Income</b>	<b>Income Disruption:</b> If the applicant was impacted by COVID-19 (i.e. furlough, income curtailment, etc.) it should not be considered a break in employment or income (in assessing risk) provided they have returned to work in the same capacity and income levels. In addition to standard verification documentation, obtain furlough letters where applicable. ( <u>If the applicant has not returned to work, the income may not be used.</u> )	<u>X</u>
<b>Lien Position</b>	VA can only issue evidence of guaranty for loans in first lien position. The inability to secure first lien position may result in the removal of the VA Guaranty or Indemnification for the life of the loan.	<u>X</u>

## RESOURCES

For complete details on the interim guidance, see the following:

Agency	Publication	Publication Date(s)	Effective Through
LHFS News	<a href="#">LHFS News 032320A – Important Information about COVID 19</a>	3/23/2020	For all loans, until further notice from LHFS.
Fannie Mae	<a href="#">Lender Letter LL 2021-04</a>	4/21/2021	5/31/2021
	<a href="#">Lender Letter LL-2020-04 Impact of COVID-19 on Appraisals</a>	Updated: 4/14/2020 3/31/2020 3/23/2020	Updates to Lender Letter on Jun. 11, 2020 Extension of effective date: extending the application dates for these temporary policies to Aug. 31, 2020
	<a href="#">Lender Letter LL-2020-03 Impact of COVID-19 on Originations</a>	Updated: 3/31/2020 3/23/2020 5/5/2020	5/19/2020 5/28/2020 7/9/2020
	<a href="#">COVID-19 Frequently Asked Questions</a>	(Updated by Fannie Mae in real-time)	
	<a href="#">Power of Attorney (POA) Requirements (Job Aid)</a>	3/31/2020	See <a href="#">Lender Letter LL-2020-03</a>
Freddie Mac	<a href="#">Bulletin 2021-15</a>	4/21/2021	Extending the effective date for Mortgages with Application Received Dates through May 31, 2021
	<a href="#">Bulletin 2020-19, Selling Guidance Related to COVID-19</a>	5/28/2020	Effective 6/11/2020 for all loans in process and remain in place until further notice.
	<a href="#">Bulletin 2020-11, Selling Guidance Related to COVID-19</a>	4/14/2020	Effective immediately for all loans in process and remain in place for loans with application dates on or before 5/17/2020.
	<a href="#">Bulletin 2020-8, Selling Guidance Related to COVID-19</a>	3/31/2020	Effective immediately unless otherwise noted in each summary requirement section.
	<a href="#">Bulletin 2020-5, Selling Guidance Related to COVID-19</a>	3/23/2020	All loans in process with application received dates on or before 5/17/2020.
	<a href="#">COVID-19 Selling-Related Frequently Asked Questions</a>	(Updated by Freddie Mac in real-time)	
FHA	<a href="#">Mortgage Letter 2021-06</a>	2/23/2021	Extension of Re-verification of Employment and Exterior-Only Appraisal scope of work (SOW) option for Federal Housing Administration (FHA) Single Family programs impacted by the Coronavirus Disease of 2019 (COVID-19).
	<a href="#">Mortgage Letter 2020-24, Guidance for Verification of Self-Employment and Rental Income</a>	7/29/2020	Effective for case numbers assigned on or after August 12, 2020 through November 30, 2020
	<a href="#">Mortgage Letter 2020-23, Guidance for Verification of Self-Employment and Rental Income</a>	7/28/2020	Effective for case numbers assigned on or after July 28, 2020 through November 30, 2020
	<a href="#">Mortgage 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</a>	3/27/2020	Appraisal guidance - appraisal inspections completed on or before 5/17/2020. Employment re-verification - cases closed on or before 5/17/2020.
	<a href="#">FHA COVID-19 FAQ</a>	(Updated by FHA in real-time)	
VA	<a href="#">VA Circular 26-20-13 Valuation Practice During COVID-19 (Updated)</a>	4/10/2020	Effective for all loans where the application date was made on, or after 4/10/2020. (Rescinds 26-20-11.)
	<a href="#">VA Circular 26-20-11 Valuation Practices During COVID-19</a>	3/27/2020	For all loans closed on and after 3/27/2020, until 4/10/2020 (Rescinded; see Circular 26-20-13).
	<a href="#">VA Circular 26-20-10 Lender Guidance for Borrowers Affected by COVID-19 (Loan Origination, Closing and Guaranty)</a>	3/27/2020	For all loans closed on and after 3/27/2020, until further notice from VA.

