



Date: October 30, 2020

Dear Lender Letter 2020-12

To: All Tribes
All Tribally Designated Housing Entities
All Section 184 Approved Lenders and Servicers
All Section 184A Approved Lenders and Servicers

Subject Section 184 Indian Home Loan Guarantee Program (Section 184) and Section 184A Native Hawaiian Housing Loan Guarantee Program (Section 184A) Extension of Re-verification of Employment and Tax Transcript Flexibilities and Updated Appraisal Flexibilities in Connection with the COVID-19 National Emergency

Purpose The purpose of this Dear Lender Letter (DLL) is to inform lenders and servicers of an extension of the re-verification of employment and IRS tax transcript flexibilities originally issued in DLL 2020-05, extended in DLL 2020-06 and DLL 2020-08 and further extended in DLL 2020-10, for an additional period through December 31, 2020.

This DLL will also provide an updated scope of work inspection option providing for Exterior-Only Appraisals, which limits face to face contact for certain Section 184 and 184A transactions affected by the COVID-19 National Emergency.

Effective Date The extension of re-verification of employment and IRS tax transcript flexibilities are effective immediately for all cases closed on or before December 31, 2020 for Section 184 and 184A guaranteed loans.

The updated appraisal guidance scope of work in this DLL is effective on November 1, 2020 and is applicable to appraisals with an effective date on or before December 31, 2020.

Affected Programs This guidance applies to all Section 184 and 184A guaranteed loans.

Background

On March 13, 2020, President Trump declared a National Emergency concerning the Coronavirus (COVID-19) Outbreak and initiated actions to stem the threat to public health and the American economy.

On April 9, 2020, HUD published DLL 2020-05 authorizing the temporary modification of requirements for re-verification of employment, appraisals, and IRS tax transcripts.

On May 19, 2020, HUD published DLL 2020-06 to extend the foreclosure and related evictions moratoriums and the loan processing flexibilities that expired on May 20, 2020 through June 30, 2020.

On June 29, 2020 HUD issued DLL 2020-08 to extend the foreclosure and related evictions moratorium and the loan processing flexibilities through August 31, 2020.

On August 28, 2020, HUD published DLL 2020-10 to extend the loan processing flexibilities that expired on August 31, 2020 through October 31, 2020.

Due to the continued National Emergency resulting from the COVID-19 pandemic, HUD is issuing this DLL to extend the re-verification of employment and IRS tax transcript flexibilities for all Section 184 and 184A loans.

Appraisal inspection scope of work usage from DLL 2020-05 guidance has been monitored and the Exterior-Only Appraisal option has been demonstrated as effective in support of initiatives to combat the spread of COVID-19 by limiting face-to-face contact across all eligible program transactions. With the effectiveness of the Exterior-Only option, the availability of a Desktop-Only option provided in DLL 2020-05, for certain purchase transactions without any appraiser visual observation of the property, is no longer necessary.

Extension of the flexibilities for the verification of employment and IRS tax transcripts

This action only extends and does not change the flexible alternatives for re-verification of employment and obtaining IRS tax transcripts contained in [DLL 2020-05](#) and extended in DLL 2020-06, DLL 2020-08, and DLL 2020-10. The flexibilities in DLL 2020-05 are extended to December 31, 2020.

**Updated
Appraisal
Policy**

Changes to the Section 184 and 184A Appraisal Protocols are as follows:

- Discontinuance of the use of Desktop-Only Appraisal inspection scope of work option.
- Most purchase transactions may continue to utilize an optional Exterior-Only Appraisal inspection scope of work.
- Rate and Term Refinances and Streamline Refinances with an appraisal may continue to utilize an optional Exterior-Only inspection scope of work.
- All appraisals, even Exterior-Only Appraisals, must be completed in a manner consistent with the Fair Housing Act.
- No changes are made to Streamline Refinances without an appraisal, which do not require appraisals or to the appraisal requirements for Cash-Out refinance transactions.

When applicable, as described below, the appraiser may amend the scope of work to perform an Exterior-Only (viewing from at least the street). The appraiser may rely on supplemental information from other reliable sources such as Multiple Listing Service (MLS), and Tax Assessor's Property Record to prepare an appraisal report. The appraiser may rely on information from an interested party to the transaction (borrower, real estate agent, property contact, etc.) with clear appraisal report disclosure when additional verification is not feasible. The appraisal report must contain adequate information to enable the intended users to understand the extent of the inspection that was performed.

The Exterior-Only Appraisal option must continue to be reported on appraisal forms with amended certifications and scope of work disclosures currently approved and used for the Section 184 and 184A programs.

Appraisal Forms and Amended Certifications

The optional Exterior-Only Appraisal must be reported on the existing acceptable appraisal reporting forms by property and assignment Type. These forms will require amended certifications and clear scope of work disclosures.

The appraisal report must include a signed certification indicating the extent of the inspection. Appraisers must use the model certifications for the Exterior-Only scope of work used for the Section 184 and 184A programs.

Exterior-Only Option

The updated protocols and exhibits under the Exterior-Only option are:

- Appraiser will observe the Property and Improvements from at least the street;
- The appraisal will be completed “AS IS” unless Minimum Property Requirements (MPR) related deficiencies are observed from the street or otherwise known;
- The appraiser may utilize extraordinary assumptions when necessary;
- At a minimum, the exterior photos must include the front and sides of the dwelling (rear photo is not required);
- Front view of each comparable utilized is required. Multiple Listing Service (MLS) photographs are acceptable to exhibit comparable condition at the time of sale; however, appraisers must include their own photographs as well, to document compliance;
- Interior photos and sketch are not required; and
- The Map Reference field of the appraisal form must be reported as “Exterior”.

Purchase Transactions

The Section 184 and 184A programs will accept appraisals for purchase transactions with an optional Exterior-Only scope of work by the appraiser. These flexibilities are not permitted on New Construction or Single Close Construction transactions.

Refinance Transactions

The Section 184 and 184A programs will accept appraisals for Rate and Term Refinance and Streamline Refinance without an appraisal with an optional Exterior-Only scope of work by the appraiser. These flexibilities are not permitted on Cash-out Refinances.

Form 1004D Part B Completion Report

The guidance in DLL 2020-05 on the Form 1004D Part B Completion Report is not changed by this DLL.

When an Appraisal Update and/or Completion Report (Form 1004D) Part B is required to evidence the completion of required repairs, HUD 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 indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the case binder. These flexibilities are not permitted on New Construction or Single Close Construction transactions.

Questions

Any questions regarding this DLL may be directed to
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Signature



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