



ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: March 27, 2020**

**Mortgagee Letter 2020-05**

**To:** All FHA-approved Mortgagees  
All Direct Endorsement Underwriters  
All FHA Roster Appraisers  
All FHA-Approved 203(k) Consultants  
All HUD-Approved Housing Counselors  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

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**Subject** Re-verification of Employment and Exterior-Only and Desktop-Only  
Appraisal Scope of Work Options for FHA Single Family Programs Impacted  
By COVID-19

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**Purpose** The purpose of this Mortgagee Letter is to inform Mortgagees and Appraisers of:

- FHA Single Family's modification to the re-verification of employment requirements due to the Presidentially-Declared COVID-19 National Emergency Declaration
- FHA Single Family's Exterior-Only or Desktop-Only Appraisal inspection option, which limits face-to-face contact for certain transactions affected by the Presidentially-Declared COVID-19 National Emergency Declaration

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**Effective Date** The Appraisal guidance in this Mortgagee Letter is effective immediately for appraisal inspections completed on or before May 17, 2020. The re-verification of employment guidance in this Mortgagee Letter is effective immediately for cases closed on or before May 17, 2020.

Policy updates in this ML are temporary and will not be incorporated into the HUD Single-Family Housing Policy Handbook 4000.1.

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### **Public Feedback**

HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at [answers@hud.gov](mailto:answers@hud.gov). HUD will consider the feedback in determining the need for future updates.

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### **Affected Programs**

These changes apply to FHA Single Family Title II Forward and Reverse Mortgage Programs.

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### **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. Many of these actions include the need to avoid contact with other people or to stay at home. Also, many employers have suspended non-essential operations in compliance with State and Local government directives. This has hampered the ability of Mortgagees to fully comply with FHA requirements for re-verification of employment, either verbal or electronic, to be completed within 10 Days prior of the date of the Note.

In recognition of the current situation throughout the country, and in support of initiatives to combat the spread of COVID-19, the Department of Housing and Urban Development (HUD) is making modifications to the re-verification of employment and Acceptable Appraisal Reporting Forms and Protocols (Appraisal Protocols) by allowing exceptions for Exterior-Only and Desktop Appraisal inspections in certain transactions.

To maintain the stability of the MMIF, while concurrently aiding the housing market generally, FHA is providing alternatives for re-verification of employment, and exceptions to FHA's Appraisal Protocols as further outlined in this ML. FHA's remaining Appraisal Protocols, and Income and Employment requirements remain unchanged and are still required.

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### Summary of Changes

1. Changes to FHA's re-verification of employment:
  - FHA is allowing flexibilities related to the Mortgagee's process of completing re-verification of employment, which includes verbal verification of employment. This is applicable for all FHA Title II forward and reverse mortgage programs, where re-verification of employment is required.
  
2. Changes to FHA's Appraisal Protocols are as follows:
  - Most Single Family forward and HECM for Purchase transactions may utilize an optional Exterior-Only or Desktop-Only Appraisal inspection scope of work.
  - Traditional HECM, HECM-to-HECM refinances, 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 or reverse 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.

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### Re-verification of Employment Forward

Mortgagees do not need to provide a re-verification of employment within 10 days of the Note date as described in Handbook 4000.1, Sections II.A.4.c.ii(C)(1)-(2) and II.A.5.b.ii(C)(1)-(2) Traditional and Alternative Current Employment Documentations, 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 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.
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### **Re-verification of Employment HECM**

Mortgagees do not need to provide a re-verification of employment within 10 days of disbursement as described in Section 3.8 and 3.9 of the HECM Financial Assessment and Property Charge Guide, provided that the Mortgagee is not aware of any loss of employment by the borrower and has obtained:

- 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
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### **HUD Single Family Housing Appraisal Policy**

When applicable, as described below, the appraiser may amend the scope of work to perform an Exterior-Only (viewing from the street) or Desktop-Only. 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 and Desktop-Only Appraisal options must continue to be reported on the current FHA approved appraisal forms with amended certifications and scope of work disclosures.

#### **Appraisal Forms and Amended Certifications**

The optional Exterior-Only and Desktop-Only appraisals 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. Mortgagees are reminded that Exterior Appraisal forms Fannie Mae 2055 and Fannie Mae 1075 are not FHA approved forms and are not compatible with FHA's Electronic Appraisal Delivery (EAD) portal.

The appraisal report must include a signed certification indicating whether the Appraiser did or did not personally inspect the subject property and the extent of the inspection. FHA has provided [model certifications](#) for the Exterior-Only and Desktop-Only scope of work.

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### Exterior-Only Option

The required protocols and exhibits under the Exterior-Only Option are:

- Appraiser will observe the Property and Improvements from 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.
- No sketch, interior photos or rear exterior photographs are required.

### Desktop-Only Option

The required protocols and exhibits under the Desktop-Only Option are:

- Appraiser will not physically observe the Property and Improvements.
- The Appraisal will be completed “AS IS” unless MPR related deficiencies are known.
- The Appraiser may utilize extraordinary assumptions when necessary.
- No sketch, interior photos, exterior photographs are required.
- No comparable viewing nor photos are required.

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#### **FHA Purchase Transactions**

FHA will accept appraisals for both forward and HECM for Purchase transactions with an optional Exterior-Only or Desktop-Only scope of work by the Appraiser. These flexibilities are not permitted on New Construction, Construction to Permanent, Building on Own Lands and 203(k) purchases.

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#### **FHA Refinance and Traditional HECM**

FHA will accept appraisals for Traditional HECM, HECM-to-HECM Refinance, Rate and Term Refinance, and Simple Refinance with an optional Exterior-Only scope of work by the Appraiser. These flexibilities are not permitted on Cash out Refinances and 203(k) refinances.

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#### **FHA Single Family Servicing**

FHA will accept appraisals for both forward and HECM servicing with an optional Exterior-Only or Desktop-Only scope of work by the Appraiser.

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**Form 1004D Part B Completion Report** When an Appraisal Update and/or Completion Report (Form 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 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, Construction to Permanent, Building on Own Lands, and 203(k) transactions.

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**Paperwork Reduction Act** The information collection requirements contained in this document are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0538 and 2502-0059. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

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**Questions** For additional information on this ML, please visit [www.hud.gov/answers](http://www.hud.gov/answers) or call FHA's Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number via TTY by calling the Federal Relay Service at 1-800-877-8339.

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**Signature** Brian D. Montgomery  
Assistant Secretary for Housing  
-Federal Housing Commissioner