



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Date: April 9, 2020

Dear Lender Letter: DLL - 2020-05

**To All Section 184 Lenders and Servicers
All Section 184A Lenders and Servicers
All Indian Tribes
All Tribally Designated Housing Entities**

Subject Re-verification of Employment, Exterior-Only and Desktop-Only Appraisal Scope of Work Options and Tax Transcripts for the Section 184 Indian Home Loan and Section 184A Native Hawaiian Housing Loan Programs Impacted By COVID-19

Purpose The purpose of this Dear Lender Letter (DLL) is to inform Lenders and Appraisers of:

- HUD's modification to the re-verification of employment requirements due to the Presidentially-Declared COVID-19 National Emergency Declaration
- HUD'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
- HUD's modification to the requirement for obtaining Internal Revenue Service (IRSO tax transcripts).

Effective Date The Appraisal guidance in this Dear Lender Letter is effective immediately for appraisal inspections completed on or before May 31, 2020. The re-verification of employment and the tax transcript guidance in this Dear Lender Letter is effective immediately for cases closed on or before May 31, 2020.

Policy updates in this DLL are temporary and will apply temporarily, as specified in this letter, during the ongoing emergency.

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 Lenders to fully comply with requirements for re-verification of employment, either verbal or electronic, to be completed within 10 Days 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 U.S. 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 housing market generally, HUD is providing alternatives for re-verification of employment, exceptions to HUD's Appraisal Protocols as further outlined in this DLL and modifications to the IRS tax transcripts requirement. HUD's remaining Appraisal Protocols remain unchanged and are still required. HUD's Income and Employment requirements also remain unchanged and are still required.

Summary of Changes

1. Changes to the re-verification of employment:
 - HUD is allowing flexibilities related to the Lender's process of completing re-verification of employment, which includes verbal verification of employment. This is applicable for all Sections 184 and 184A loans, where re-verification of employment is required.
2. Changes to the Sections 184 and 184A programs' Appraisal Protocols are as follows:
 - Sections 184 and 184A Purchase transactions may utilize an optional Exterior-Only or Desktop-Only Appraisal inspection scope of work.
 - Traditional Rate and Term Refinances or Streamline Refinances with an appraisal of properties may utilize an optional Exterior-Only inspection scope of work.
 - No changes are made to Streamline Refinances, which do not require appraisals, or to the appraisal requirements for Cash-Out refinances.

3. Changes to the requirement to provide IRS Tax Transcripts are as follows:

HUD is allowing flexibilities related to the Lender’s process of validating borrower income using IRS Tax Transcripts.

**Re-
verification
of
Employment
Forward**

Lenders do not need to provide a re-verification of employment within 10 days of the Note date provided that the Lender 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.
-

**HUD
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 appraisal. 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 Federal Housing Administration (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. Lenders are reminded that Exterior Appraisal forms Fannie Mae 2055 and Fannie Mae 1075 are not FHA approved forms.

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 in [ML-2020-05](#), which can be used in the

Dear Lender Letter – DLL-2020-05

Sections 184 and 184A programs.

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” MPR related deficiencies are known.
- The Appraiser may utilize extraordinary assumptions when necessary.
- No sketch, interior photos, or exterior photographs are required.
- No comparable viewing or photos are required.

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, 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.

IRS Tax Transcripts

Lenders do not need to provide IRS Tax Transcripts for loans closed between the effective date of this DLL and May 31, 2020. Lenders must:

Provide 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.

Dear Lender Letter – DLL-2020-05

- An executed IRS 4506T.
 - Perform a quality control review for all borrowers classified as self-employed or who receive income greater than 25 percent of their total income from commission, non-salary or non-wage sources.
-

Questions

Any questions regarding this Dear Lender Letter may be directed to Krisa M. Johnson at Krisa.M.Johnson@hud.gov.

Signature



R. Hunter Kurtz
Assistant Secretary
for Public and Indian Housing