



Announcement 2020-023

April 9, 2020

VA Loans – COVID-19 Coronavirus Guidance - Revised

Eligible Channels

- Correspondent

VA Lender Guidance for Veteran and Co-Borrowers Affected by COVID-19

The VA has announced temporary guidance for the processing, underwriting, closing and loan guaranty submissions of VA loans with Veterans and co-borrowers affected by the COVID-19 national emergency.

The guidance is effective immediately for loans currently in pipeline and new submissions and are in effect until further notice.

Income Documentation and Employment Verification

NewRez continues to require income documentation to meet the requirements of the VA Lenders Handbook.

Re-Verification of Employment

When a Verbal Verification of Employment (VVOE) is not obtainable within three business days of closing due to the temporary closure of a borrower's employer, or other reason due to the COVID-19 pandemic emergency, NewRez will permit an email from the borrower's employer as an alternative.

When an email is used to verify employment, it must:

- Be within three days of the Note date,
- Be from the employer's email address, such as name@company.com (*no Gmail, yahoo, etc.*),
- Be from the borrower's direct supervisor/manager or the employer's Human Resources department,
- Contain all the standard information required on a VVOE, including the name, title, and phone number of the person providing the verification, and
- Identify the borrower's name and current employment status.

If it is not possible to obtain an email from the borrower's employer, NewRez will waive the re-verification of employment within three business days of the Note date, provided:

- that the correspondent is not aware of any loss of employment by the borrower, and
- for purchase transactions, evidence that the borrower has a minimum of two-month PITI reserves; and
- a year-to-date paystub or direct electronic verification of income (e.g., TPV vendor such as The Work Number) for the pay period that immediately precedes the Note date.

- **Self-Employed Borrowers**

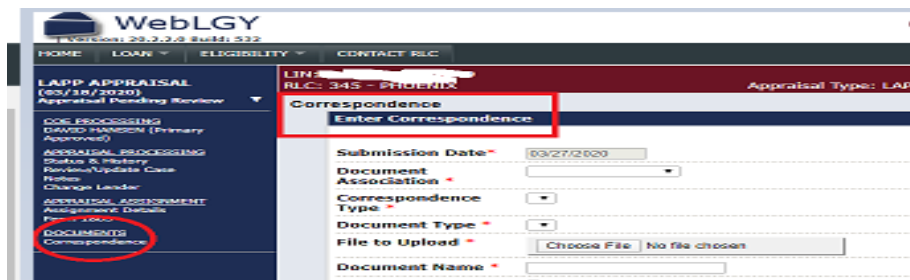
- Verification that the borrower's business remains operational must be done within 10 business days of the Note date.

NewRez will not accept bank statements as alternative documentation to the VVOE.

Evaluating and Underwriting Income

For income analysis purposes, VA guidelines generally require income to be stable and reliable for two years.

- If the borrower was impacted by COVID-19 (e.g., furlough, curtailment of income, etc.), that period should not be considered a break in employment or income provided they have returned to work in the same capacity and income levels and have received a paystub prior to closing supporting their full income. In addition to standard verification documentation, borrowers should provide furlough letters where applicable.
- The VA encourages underwriters to take proactive measures in documenting and uploading evidence of their analysis and justifications for all borrowers, especially for “borderline” cases in the Correspondence Section of WebLGY (see below). This may proactively address questions that VA may otherwise ask and prevent a loan level audit of that loan.



Appraisals and Valuation Practices

The VA will temporarily permit the following two alternative valuation methods; Exterior-Only and Desktop Appraisal when access to the interior of the home for inspection is not feasible and a complete Interior and Exterior Inspection Appraisal report cannot be completed. The alternative appraisal reports are eligible for existing and new construction properties.

The type of alternative valuation method must be indicated on Page 1 of the URAR in the Map Reference Field.

Property Description		UNIFORM RESIDENTIAL APPRAISAL REPORT				File No.		
Property Address		City		State		Zip Code		
Legal Description		County		Tax Year		R.E. Taxes \$		
Assessor's Parcel No.		Special Assessments \$		Map Reference		Exterior -Only or Desktop		
SUBJECT	Borrower		Current Owner		Consent: <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant		HOAS /Mo.	
	Property rights appraised		Project Type		Map Reference		Exterior -Only or Desktop	
	Neighborhood or Project Name		Description and \$		Amount of loan charges/commissions to be paid by seller			
Sale Price \$		Date of Sale						

SARs will continue to review the valuation reports in WebLGY and issue the Notice of Values (NOV) in compliance within current VA guidelines and those described below.

Option 1

The appraiser will be expected continue to gain access to view the interior property and complete full appraisal report in the instances below:

- Purchase Transaction (vacant property). When the appraiser’s assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals

- leaving their domicile, such as mandatory quarantine or shelter-in-place.
- Purchase or Refinance Transaction (property occupied). When the appraiser's assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place. In addition, all parties must agree to the interior inspection and meet the following: (a) either party has not been instructed by health authorities to stay home or practice social distancing; or (b) does not have flu-like symptoms (such as fever, cough, or shortness of breath); or (c) has not been quarantined under direction of public health authorities; and (d) no parties are within the CDC guidance of high risk.

If either party does not wish to move forward with the interior inspection or do not meet the criteria listed above, the VA appraiser may move forward with an Exterior-Only appraisal with enhanced assignment conditions. Lenders may not direct the appraiser to conduct an interior inspection.

Option 2 if Option 1 cannot be completed

Exterior-Only Appraisal - This report option with "enhanced assignment conditions" will be completed on the Form 2055/1075 URAR form. For manufactured homes and multi-unit (2- to-4 unit) properties, appraisers will use the 1004C or 1025 form. Appraisers are to boldly and conspicuously state "Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19."

Exterior-Only Appraisal with "enhanced assignment conditions" will be limited to the maximum 2020 FHFA Conforming Loan Limit for the One-unit limit for the county. Therefore, most Exterior-Only Appraisal reports will be limited to loan amounts equal to or less than \$510,400.

- Purchase or Cash-Out Refinance Transactions - When a jurisdiction may be restricting personal contact (Stay at Home Orders) or when the seller/borrower have been or have others that reside with them, exposed to COVID-19, the appraiser must make every effort to complete the "enhanced assignment conditions" listed below.
 - The appraiser will review the full exterior of the property and provide photos of all sides of the property with detailed notes of the exterior and any visible MPRs. In instances of obstructed or restricted view and access is unable to be granted or allowed, Multiple Listing Service (MLS) photos of these areas may be utilized. If MLS photos are utilized, it must be explained in the appraisal report.
 - A measurement of the footprint of the home should be provided if accessible. This is not to determine the gross living area (GLA) but for the appraiser to reconcile with public records.
 - **The appraiser will conduct a detailed interview over the phone with the occupant, Veteran, or real estate professional regarding the property. It is the appraiser's responsibility to obtain sufficient information to provide a creditable report. Interview questions should be noted and kept in the appraiser's work file. Key items that may impact market value should be noted in the appraisal report with details about what was provided and by whom.**
 - The appraiser may utilize any and all photos available from MLS, provided by the occupant, Veteran, or real estate professional.

Option 3 if Options 1 and 2 cannot be completed

Desktop Appraisal Valuations - This report option will be completed on the Fannie Mae 1004, 1073, 1004C, 2025 and the appraiser will be required to attach a copy of the provided **Scope of Work (SOW)** Exhibit A, certifications, and assumptions in all reports. Appraisers are to boldly and



conspicuously state "Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19."

Desktop Valuations will be limited to the maximum 2020 FHFA Conforming Loan Limit for the One-unit limit for the county. Therefore, most Desktop-Only Appraisal reports will be limited to loan amounts equal to or less than \$510,400.

Desktop appraisals will be conducted when the appraiser's assigned geographic jurisdiction has restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place. Lenders must state in both in "public" notes in WebLGY and by e-mail to the appraiser if they will accept a Desktop appraisal. If the lender will not accept a Desktop appraisal, the appraiser will place the assignment on hold for 30 days and then subsequently cancel, if the status has not changed. The appraiser will annotate "public" notes in WebLGY updates on a weekly basis.

- Purchase Transactions: The appraiser defines the scope of the work and will annotate in the appraisal report concerning the source of information provided.
- Cash-Out Refinance Transactions: The appraiser will prioritize assignments based on purchase transactions first and determine if sufficient information is publicly available and verifiable. Appraisers are not required to proceed on the assignment if information is not available to provide a credible report. In the event the appraiser is not able to complete the assignment, the lender may choose to cancel the request or have the RLC suspend the assignment until the national emergency is lifted and a more detailed report can be produced.

VA understands that there may be insufficient data available to produce a creditable report. Appraisers are not required to accept a Desktop valuation order. In addition, the use of Assisted Appraisal Processing Program (AAPP) is not authorized for Desktop appraisals. When an appraiser believes the scope of work required to develop a credible report is not capable in a Desktop appraisal, the appraiser must contact the RLC to place the assignment on hold.

Repair Completion Inspections

In cases where the VA fee appraiser is unable to verify a Minimum Property Requirements (MPR) repair completion, the VA will permit lenders to certify completion with supporting documentation such as certifications by licensed professionals, invoices from contractors, or Seller/Veteran certification of completion with photos. Repair certifications which may involve a lead-based paint MPR defect must still be completed by VA fee appraiser. Completion of New Construction properties must be verified by a Certificate of Occupancy issued by local building authority or authorized inspector.

Reconsideration of Value (ROV)

- Purchase Transactions: ROV requests for purchase transactions will be restricted to no greater than 5 percent from the appraiser's opinion of value. The standard requirements for processing the ROV, as outlined in VA Lenders Handbook, Chapter 10 Appraisal Process (NEW), Section 22, apply. In addition, a field review by VA Regional Loan Center (RLC) staff will not be completed in conjunction with the ROV request.
- Cash-Out Refinance Transactions: VA will suspend ROV requests for cash-out refinance loans until further notice.

Termite Inspections

A wood inspection report is required, per VA requirements, if the property is located in an area on the Termite Infestation Probability Map where the probability of termite infestation is "very heavy" or

"moderate to heavy". If a termite report is unattainable, the following options can be used:

- If the appraisal report indicates that "there is no known or visible evidence of termite infestation present", the seller and realtor, on purchase transactions and Veteran on Cash-out refinances, must provide a signed certification to that fact. The SAR does not have to condition for a Termite Report on the NOV in this circumstance.
- If the appraisal report indicates that there is "known or visible evidence of termite infestation," a clear termite report will be required prior to closing.

Appraisal Fees

Fees for services will remain as posted at the [VA National Appraisal Fee schedule](#) for Exterior-Only appraisal with enhanced assignment conditions or a Desktop appraisal will remain the same as the Interior-Exterior appraisal report. VA may require appraisers to complete a Form 1004D/442 appraisal update within one year of completing an Exterior-Only or Desktop appraisal under the same fee payment.

Loan Closings

The current practices and procedures for closing and executing mortgage documents will remain in effect in order to conform with existing Ginnie Mae documentation requirements that do not permit electronic signatures (E-Sign) for the Promissory Note and Security Instruments and VA requirements to evidence the first lien position of VA mortgages before the VA Guaranty is issued.

Resource Links

[VA Circular 26-20-10 Lender Guidance for Borrowers Affected by COVID-19](#)

[VA Circular 26-20-11 Valuation Practices during COVID-19](#)

[VA Circular 26-20-11 Exhibit A - Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certifications for Desktop Appraisals](#)