



## Property Inspection Waiver Frequently Asked Questions

August 18, 2017

Property inspection waiver (PIW) is an offer to waive the appraisal for eligible transactions. PIW offers are issued through Desktop Underwriter® (DU®) using Fannie Mae’s database of more than 26 million appraisal reports in combination with proprietary analytics from Collateral Underwriter® (CU™) to determine the minimum level of property valuation required for loans delivered to Fannie Mae.

This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae *Selling Guide*. In the event of any conflict with this document, the *Selling Guide* will govern.



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### General

#### Q1. How do lenders get access to PIWs?

PIW is available to all lenders who use DU, including through the Desktop Originator® (DO®) interface. No registration is needed.

#### Q2. Is the PIW available to correspondent lenders?

Yes. A correspondent lender may receive a PIW offer when submitting a loan casefile to DU. Correspondent lenders should contact their aggregators to discuss aggregator interest in delivering loans with a PIW to Fannie Mae and to ensure the correspondent is obtaining the appropriate fieldwork to meet aggregator guidelines.

#### Q3. **UPDATED** What are the eligibility requirements for PIW consideration?

The PIW offer will be considered on the transactions below:

- One-unit properties, including condominiums
- Limited cash-out refinance transactions:
  - principal residences and second homes up to 90% LTV/CLTV
  - investment properties up to 75% LTV/CLTV
- Cash-out refinance transactions:



- principal residences up to 70% LTV/CLTV
- second homes and investment properties up to 60% LTV/CLTV
- Purchase transactions:
  - Principal residences and second homes up to 80% LTV/CLTV
- Loan casefiles that receive an Approve/Eligible recommendation

The majority of transactions will *not* receive a PIW offer, which means they will require an appraisal by a qualified residential appraiser to establish the market value.

The following are ***not eligible*** for a PIW offer:

- Properties located in a disaster-impacted area
- Construction and construction-to-permanent loans
- Two- to four-unit properties
- Loan casefiles in which the value of the subject property provided to DU is \$1,000,000 or greater
- HomeStyle® mortgage products (Renovation and Energy)
- DU Refi Plus™ loan casefiles
- Texas 50(a)6 loans
- Leasehold properties, community land trust homes, or other properties with resale restrictions
- Cooperative units and manufactured homes
- DU loan casefiles that receive an ineligible recommendation
- Loans for which the mortgage insurance provider requires an appraisal
- Loans for which rental income from the subject property is used to qualify

**NOTE:** [\*DU Refi Plus\*](#) loan casefiles continue to be eligible for the *DU Refi Plus* property fieldwork waiver (PFW).

**Q4. Other than the requirements specified in Q3, are there any other considerations for offering a PIW on a DU loan casefile?**

Yes. There are a few requirements not related to the loan product or terms that will prevent DU from offering a PIW, including:

- The subject property address must include the street address, city, state, and ZIP Code. If a Doc File ID is provided (which indicates an appraisal was already obtained), a PIW will not be offered.
- DU will not offer a PIW when an appraisal has been uploaded to the Uniform Collateral Data Portal (UCDP) within the prior 120 days from any lender.
- Prior appraisal requirements must be met. See Q5.



**Q5. UPDATED Are there prior appraisal requirements for a PIW to be considered?**

For a PIW to be considered for a refinance transaction, a prior appraisal must be found for the subject property in Fannie Mae's Collateral Underwriter (CU) data and that appraisal must be associated with one of the borrowers on the loan casefile.

DU will compare the address for the subject property to the property addresses found in CU. When a property address match is found, DU will then compare both the first and last names of the borrowers on the loan casefile to the borrowers associated with the prior appraisal. When a borrower name match is found, DU will then use the information from the prior appraisal to determine if the loan casefile is eligible for the PIW. In some cases, the prior appraisal may not be acceptable. For example, if a CU Overvaluation Flag was issued on the prior appraisal or the appraisal could not be scored, that prior appraisal will not be used, and a PIW will not be offered on the new loan casefile.

For a PIW to be considered for a purchase transaction, it is not a requirement that the prior appraisal be associated with one of the borrowers. All other requirements listed above apply.

**Q6. NEW Why did Fannie Mae update PIW offerings to include some purchase transactions?**

In response to market drivers, we updated PIWs (effective August 19, 2017) to allow our lenders to offer their borrowers a choice for efficiency and cost savings by foregoing an appraisal on some lower-LTV purchase transactions. A small percentage of purchase loans qualify for a PIW offer, and borrowers always have the choice to obtain an appraisal. Fannie Mae continues to require and to value full appraisals on the vast majority of purchase money mortgages to establish market value of homes and provide valuable input to our appraisal database.

**Q7. Why can't a PIW be exercised when rental income from the subject is used to qualify for the loan?**

If the borrower is using rental income to qualify for the mortgage loan, the lender must obtain documentation that is used to calculate the monthly rental income for qualifying purposes. The *Selling Guide* states that Form 1007 is acceptable documentation for one-unit properties, and must be provided in conjunction with the applicable appraisal report.

**Q8. Is PIW offered on loan casefiles underwritten through Preliminary Findings?**

Yes. When the PIW offer was enhanced in December 2016, Desktop Originator® (DO®) users would only see the offer on loan casefiles underwritten using a sponsoring lender. Effective with DU Version 10.1, DO loan casefiles underwritten through Preliminary Findings are eligible for the PIW offer.

**Q9. Is there a charge associated with the PIW?**

No. Effective for loans delivered to Fannie Mae on or after January 1, 2017, there is no fee associated with exercising a PIW or a DU Refi Plus™ property fieldwork waiver.

**Q10. Is there any lender-level reporting available for PIW loan casefiles?**

Lenders can obtain Day 1 Certainty™ Pre-Delivery and Post-Delivery reports in [Fannie Mae Connect™](#). The reports provide a lender-level and responsible-party dashboard of Day 1 Certainty activity. The Pre-Delivery report provides loan-level detail on eligible refi loan casefiles that have received an offer to waive the appraisal. The Post-Delivery report provides loan-level detail for loans on which the



lender received and exercised a PIW offer. The reports can be found in the Management section of the Report Center in Fannie Mae Connect.

## Process and Policy Requirements

### Q11. What is the process for exercising the PIW on a loan casefile that is eligible for a PIW?

To exercise a PIW on a loan casefile that is eligible for a PIW, the lender must deliver the loan to Fannie Mae with SFC 801 along with the applicable casefile ID reported on the Loan Schedule or Schedule of Mortgages. Additionally, the PIW offer may not be more than four months old on the date of the note and the mortgage.

### Q12. How does a lender know if a PIW is offered on a loan casefile?

As part of the risk analysis, DU assesses the reasonableness of the lender's estimated value for the property and recommends the minimum level of property valuation that must be performed for the loan to be delivered to Fannie Mae.

Loan casefiles that are eligible for PIW will receive a message indicating the availability of the PIW (see message text below).

**NOTE:** For loan casefiles that are not eligible for the PIW, the fieldwork recommendation message will require an appraisal with an interior and exterior property inspection.

The following message will be displayed in the DU Underwriting Findings report when a loan receives a PIW offer:

*Desk top Underwriter accepts the value submitted as the market value for this subject property. This loan is eligible for delivery to Fannie Mae without an appraisal if the Property Inspection Waiver is exercised by the lender at the time of loan delivery to Fannie Mae. To exercise this Property Inspection Waiver and be eligible for representation and warranty relief on the value, condition and marketability of the subject property, Special Feature Code 801 and the Casefile ID must be included in the loan delivery file. If the waiver is not exercised, an appraisal based on an interior and exterior property inspection is required for this transaction. If an appraisal is obtained for this transaction, or the transaction is one identified as ineligible in the Selling Guide but DU is not able to identify the ineligible criteria (HomeStyle Energy mortgages, community land trusts or properties with resale restrictions, and Texas Section 50(a)(6) mortgages), the Property Inspection Waiver may not be exercised and the loan cannot be delivered with Special Feature Code 801.*

**Example:** A lender submits a loan casefile to DU and receives a message indicating the availability of a PIW and the need for an appraisal based on an interior and exterior property inspection if the waiver is not exercised. The lender can either (a) obtain the interior and exterior appraisal or (b) exercise the PIW.

### Q13. If a lender receives a PIW offer on a loan casefile, are there situations in which the lender would still need to obtain an appraisal?

Yes. There may be certain situations in which a lender needs to obtain an appraisal, even though a PIW was offered on the loan casefile.

Examples of when an appraisal would need to be obtained include the following:

- The lender has reason to believe that fieldwork is warranted based on subsequent events such as a hurricane or other natural disaster.



- The lender is required by law to obtain an appraisal.
- The loan is a HomeStyle® Energy mortgage. (DU does not capture HomeStyle Energy intent so it may issue an invalid PIW.)
- The loan is a Texas Section 50(a)(6) mortgage (DU cannot identify Texas Section 50(a)(6) mortgages so it may issue an invalid PIW).
- The property is a leasehold property, community land trust home, or other property with resale restrictions.
- The mortgage insurance provider requires an appraisal.
- Rental income from the subject property is used to qualify for the loan.

See the *Selling Guide* for additional information.

When an appraisal is obtained, the PIW may not be exercised and the loan cannot be delivered with SFC 801.

**NOTE:** *The borrower always has the choice to request an appraisal.*

**Q14. How does a lender know if a property is located in a disaster-impacted area?**

Desktop Underwriter is regularly updated with ZIP Codes impacted by a major disaster as declared by the Federal Emergency Management Administration (FEMA). Fannie Mae may also add areas impacted by other disasters or emergencies at its discretion. Properties located in these areas will not receive Property Inspection Waiver offers through DU. However, DU is not aware of all disasters. In accordance with our PIW policy in Section [B4-1.4-10](#), an appraisal must be ordered if the lender has additional information about the property (such as a disaster in the area) that suggests an appraisal is warranted, even if DU has issued a Property Inspection Waiver.

**Q15. What should the lender do if a disaster is declared after the loan closes with a PIW but before the loan has been delivered to Fannie Mae?**

The lender makes property-related representations and warranties as of the time it delivers the loan to Fannie Mae. Before delivery of a mortgage loan to Fannie Mae when the property may have been damaged by a disaster, the lender is expected to take prudent and reasonable actions to determine whether the condition of the property may have materially changed. The lender is responsible for determining if an inspection of the property and/or new appraisal is necessary to support its representations. See Section [B2-3-05](#) for full guidance on properties affected by a disaster.

**Q16. If a mortgage insurance (MI) provider requires that the lender obtain an appraisal based on an interior and exterior property inspection, but the loan casefile was eligible for a PIW, could the lender exercise the PIW and receive the limited waiver of property-related representations and warranties?**

No. For loans with MI coverage, if the mortgage insurance provider requires an appraisal for the transaction, the lender must comply with the MI provider's requirements. When a lender obtains an appraisal and also receives a PIW offer, the PIW may not be exercised and the loan cannot be delivered with SFC 801 (as stated in Q13 and Q17).



**Q17. If a lender obtains an appraisal and also receives a PIW offer from DU, may the lender exercise the PIW?**

No. When a lender obtains an appraisal and also receives a PIW offer, the PIW may not be exercised and the loan cannot be delivered with SFC 801.

**Note:** As stated in Q4, DU will not offer a PIW when an appraisal has been uploaded to UCDP within the prior 120 days from any lender.

**Q18. If the lender exercises the PIW on a refinance loan and does not obtain an appraisal, is the lender still required to confirm that the subject property is not listed for sale?**

Yes. *Selling Guide* Sections [B2-1.2-02](#) and [B2-1.2-03](#) still apply when the lender exercises the PIW.

**Q19. If a lender receives a PIW offer on a loan casefile submission and, on a subsequent submission of the loan casefile, loses the PIW offer, can the lender still exercise the PIW?**

No. A lender may exercise the PIW only when a PIW offer exists on the final submission to DU. If a lender attempts to exercise a PIW for a loan that does not have a PIW on the latest DU submission, the lender will receive the following error message in Loan Delivery:

*The loan was entered with a waiver SFC of 801 but a waiver was not offered on the latest submission to DU. Please review loan to determine intended action. If you did NOT intend to exercise a waiver please remove the applicable SFC.*

**NOTE:** Resubmission of the loan data will not affect PIW recommendation unless the estimate of the loan amount, value, property type, loan type, or LTV inputs are changed.

**Q20. Is the lender responsible for the standard representations and warranties regarding the value of the property?**

Fannie Mae accepts the value estimate submitted by the lender as the market value for the subject property when a PIW offer is exercised. The lender is relieved from Fannie Mae's enforcement of representations and warranties regarding the value, condition, and marketability of the property. The lender is required to represent and warrant that the data submitted (other than the value estimate) to DU is complete and accurate.

When exercising a PIW, the lender is required to include the casefile ID and SFC 801 on the loan delivery file to Fannie Mae to receive representation and warranty relief. If a lender chooses to not exercise the PIW offer, the lender must obtain at least the minimum level of appraisal fieldwork recommended by DU. Refer to Q10 and the *Selling Guide* for situations in which the PIW offer may not be exercised.

**Q21. For properties secured by condos that receive a PIW offer, do lenders get any relief from project review requirements?**

No. All project standards still apply. Lenders are responsible for determining the documentation they need to review to determine that the project meets the requirements for the project review being completed. Additionally, relying exclusively on the appraisal for any review type is not recommended because not all project eligibility requirements are included on the appraisal.



**Q22. When a PIW has been exercised, what are the lender's QC obligations?**

For a loan with an exercised PIW, there is no appraisal so the lender can exclude the loan from the appraisal field and desk review Post-Closing Quality Control requirements (see *Selling Guide* [D1-3-04](#)). Lenders may, however, leverage QC to evaluate potential quality gaps in the PIW or origination process. Choosing to include loans that have PIWs in a discretionary sample can help to ensure that the process of exercising a PIW follows lender and Fannie Mae requirements. For example, the review should confirm that the lender declined to exercise PIW offers on Homestyle<sup>®</sup> Energy loans, loans in disaster areas, or loans with resale restrictions, and instead obtained an appraisal as required by our policy.

## Delivery Information

**Q23. What if the SFC and/or the casefile ID are not properly included in the delivery file?**

Without this information, it is unclear whether the lender truly intended to deliver a loan with a PIW. Therefore, if this information is not present, Fannie Mae will not be able to provide the PIW. Lenders will receive a fatal edit and will not be able to submit loans without the PIW SFC. If the SFC and casefile ID are not included at delivery, lenders subsequently will need to submit a reconciliation request to ensure appropriate identification and coding of transactions eligible for property-related representation and warranty relief.

**Q24. When a lender exercises a PIW offer, must they provide the property-specific housing goals data (e.g., number of bedrooms, eligible rents)?**

For single-family principle residences and second homes, the property-specific housing goals fields are only required if the Property Valuation Method Type is "Full Appraisal" or "Prior Appraisal Used." When a PIW is exercised, the Property Valuation Method Type is "None." See [Table E](#) for requirements if an appraisal is not provided or obtained for primary residences and second homes.

Gross monthly rents must be reported to Fannie Mae in the loan delivery data for all investment properties, regardless of whether the borrower is using rental income to qualify for the mortgage loan. See [A3-4-02. Data Quality and Integrity](#) of the *Selling Guide* for alternate methods of reporting gross monthly rents on these properties.

## For More Information

For more information, reach out to your account team or call 1-800-2FANNIE (1-800-232-6643), Option 1 (technology support).