



Appraisal Waivers Frequently Asked Questions

December 4, 2018

An appraisal waiver is an offer to waive the appraisal for eligible transactions. Appraisal waiver offers are issued through Desktop Underwriter® (DU®) using Fannie Mae’s database of more than 31 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 appraisal waivers?

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

Q2. Are appraisal waivers available to correspondent lenders?

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

Q3. What are the eligibility requirements for appraisal waiver consideration? **UPDATED**

The appraisal waiver 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
 - Principal residences in “high-needs rural” locations identified by FHFA up to 97% LTV/105%CLTV (for borrowers at or below AMI), contingent on home property inspection
- Loan casefiles that receive an Approve/Eligible recommendation

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

The following are ***not eligible*** for an appraisal waiver offer:

- When the lender has any reason to believe an appraisal is warranted
- 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)
- 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

Q4. Other than the requirements specified in Q3, are there any other considerations for offering an appraisal waiver 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 an appraisal waiver, including:

- The subject property address must include the street address, unit number if applicable, city, state, and ZIP Code.
- If a Doc File ID is provided (which indicates an appraisal was already obtained), an appraisal waiver will not be offered.
- DU will not offer an appraisal waiver 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. Are there prior appraisal requirements for an appraisal waiver to be considered?

For an appraisal waiver 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 appraisal waiver. 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 an appraisal waiver will not be offered on the new loan casefile.

For an appraisal waiver 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. Why did Fannie Mae update appraisal waiver offerings to include some purchase transactions?

In response to market drivers, we updated appraisal waivers (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 an appraisal waiver offer, and borrowers always have the choice to obtain an appraisal. Fannie Mae continues to require full appraisals on the vast majority of purchase money mortgages to establish market value of homes and to provide valuable input to our appraisal database.

Q7. Why can't an appraisal waiver 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. Are appraisal waivers offered on loan casefiles underwritten through Preliminary Findings?

Yes. When the appraisal waiver 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 appraisal waiver offer.

Q9. Is there a charge associated with the appraisal waiver?

No. Effective for loans delivered to Fannie Mae on or after January 1, 2017, there is no fee associated with exercising an appraisal waiver.

Q10. Is there any lender-level reporting available for appraisal waiver 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 an appraisal waiver 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 appraisal waiver on a loan casefile that is eligible for an appraisal waiver?

To exercise an appraisal waiver on a loan casefile that is eligible for an appraisal waiver, 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 appraisal waiver 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 an appraisal waiver 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 an appraisal waiver will receive a message indicating the availability of the appraisal waiver. (See message text below.)

NOTE: For loan casefiles that are not eligible for the appraisal waiver, 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 an appraisal waiver offer:

DU accepts the value submitted as the market value for this subject property. This loan is eligible for delivery to Fannie Mae without an appraisal and is eligible for representation and warranty relief on the value, condition and marketability of the subject property if the appraisal waiver is exercised by the lender at the time of loan delivery by including Special Feature Code 801 and the Casefile ID 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 Selling Guide states that the transaction is not eligible for an appraisal waiver, the appraisal waiver may not be exercised and the loan cannot be delivered with Special Feature Code 801. Note that DU is not able to identify all transactions that are ineligible for an appraisal waiver, including community land trusts or properties with resale restrictions, and Texas Section 50(a)(6) mortgages.

Example: A lender submits a loan casefile to DU and receives a message indicating the availability of an appraisal waiver 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 appraisal waiver.

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

Yes. There may be certain situations in which a lender needs to obtain an appraisal, even though an appraisal waiver 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 because the sales contract for a purchase transaction stipulates repairs that are not minor, or that may affect the safety, soundness or structural integrity of the property. See Q14.



- 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 appraisal waiver.)
- 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 appraisal waiver).
- 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 appraisal waiver 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. If a lender receives an appraisal waiver offer on a purchase transaction but the sales contract stipulates repairs to be made, can the offer be exercised?

If the repair item(s) are minor in nature and there is no impact to the safety, soundness, or structural integrity of the property, the lender may exercise the appraisal waiver offer.

When there are incomplete items or conditions that are not minor or may affect the safety, soundness, or structural integrity of the property, it must be appraised subject to the completion of those repairs or alterations. As such, the lender may not exercise the appraisal waiver offer.

Q15. Can a lender execute appraisal waiver offers on casefiles in process at the time a disaster occurs? **NEW**

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. New casefiles for properties located in these areas will not receive appraisal waiver offers through DU, unless an appraisal was completed after the disaster occurred.

However, existing casefiles will still be eligible to execute an appraisal waiver offer. The lender may exercise the appraisal waiver but must take prudent and reasonable actions to determine the condition of the property and be able to make the representations and warranties described in the *Selling Guide* [B2-3-05](#): Properties Affected by a Disaster before delivering the loan to Fannie Mae.

The following new message will display in the DU Findings, in addition to the appraisal waiver offer message, on casefiles with an appraisal waiver offer resubmitted after a disaster occurs:

The property is located in an area that may have been impacted by a disaster. The lender may accept the appraisal waiver offer but must take prudent and reasonable actions to determine if the condition of the property has been materially impacted by the disaster and must comply with the Selling Guide's Property Eligibility Requirements for Properties Affected by a Disaster.

Q16. What should the lender do if a disaster is declared after the loan closes with an appraisal waiver 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.

Q17. What qualifies as “taking prudent and reasonable actions” when a lender needs to determine if a property has been damaged by a disaster? Is an inspection required? NEW

Fannie Mae is not prescriptive as to what method the lender must use to determine the condition of the property. The lender must do whatever it deems necessary in order to be confident in warranting the condition of the property, and this will vary by circumstance.

Q18. How do rural high-needs appraisal waivers work? NEW

As part of our FHFA Duty to Serve objectives, we are offering appraisal waivers in designated rural high-needs areas. The rural high-needs appraisal waiver is for low- to moderate-income borrowers purchasing homes in targeted rural areas and is contingent on obtaining a home inspection. The appraisal waiver logic functions in the same way as standard appraisal waivers with the following exceptions:

- It allows for higher LTV ratios up to 97%, and CLTV ratios up to 105% with a Community Seconds®
- Only for purchase transactions of less than \$200,000
- It is restricted to one-unit principal residence properties (excluding manufactured homes) located in a designated rural high-needs area, as defined by the [FHFA High Needs Counties Map](#)
- Borrower income must be at or below 100% of the area median income
- Borrowers must sign an affidavit that they have been given a copy of the property inspection, read the report, and have been notified of any lender required repairs

The lender will receive a specific DU message for eligible loans, and can exercise the Rural High-Needs Appraisal Waiver with SFC 801. The lender must obtain and review a home inspection report and represent and warrant that the property is safe, sound, and structurally secure, and that the property is not in [C6 condition](#). Properties in C6 condition are not eligible unless repairs are made prior to delivery. The home inspection will also reduce the risk of the high-needs borrower encountering unanticipated repair costs.

Q19. What are the requirements for home inspectors and can a borrower provide the home inspection? NEW

In states that regulate inspectors, we require professional inspectors who meet the state license and education requirements. In states that do not have inspector licenses, we require inspectors to be professionally accredited members in good standing of a nationally recognized property inspection organization.

The borrower can provide the home inspection; however, the inspector must meet the above requirements, and the home inspection must be sufficient for lenders to determine property condition and represent and warrant that the home is not in C6 condition.



Q20. 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 an appraisal waiver, could the lender exercise the appraisal waiver and receive the limited waiver of property-related representations and warranties?

No. For loans with MI coverage, if the MI 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 an appraisal waiver offer, the appraisal waiver may not be exercised and the loan cannot be delivered with SFC 801 (as stated in Q12 and Q18).

Q21. If a lender obtains an appraisal and also receives an appraisal waiver offer from DU, may the lender exercise the appraisal waiver?

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

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

Q22. If the lender exercises the appraisal waiver 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 appraisal waiver.

Q23. If a lender receives an appraisal waiver offer on a loan casefile submission and, on a subsequent submission of the loan casefile, loses the appraisal waiver offer, can the lender still exercise the appraisal waiver?

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

The loan was delivered with SFC 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 appraisal waiver recommendation unless the estimate of the loan amount, value, property type, loan type, or LTV inputs are changed.

Q24. 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 an appraisal waiver 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 an appraisal waiver, 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 appraisal waiver offer, the lender must obtain at least the minimum level of appraisal



fieldwork recommended by DU. Refer to Q13 and the *Selling Guide* for situations in which the appraisal waiver offer may not be exercised.

Q25. For properties secured by condos that receive an appraisal waiver 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.

Q26. When an appraisal waiver has been exercised, what are the lender's QC obligations? UPDATED

For a loan with an exercised appraisal waiver, 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 appraisal waiver or origination process. Choosing to include loans that have appraisal waivers in a discretionary sample can help to ensure that the process of exercising an appraisal waiver follows lender and Fannie Mae requirements. For example, the review should confirm that the lender declined to exercise appraisal waiver offers on Texas Section 50(a)(6) mortgages, Homestyle Energy loans, or loans with resale restrictions, and instead obtained an appraisal as required by our policy.

Delivery Information

Q27. 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 an appraisal waiver. Therefore, if this information is not present, Fannie Mae will not be able to provide the appraisal waiver. Lenders will receive a fatal edit and will not be able to submit loans without the appraisal waiver 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.

Q28. When a lender exercises an appraisal waiver offer, must they provide the property-specific housing goals data (e.g., number of bedrooms, eligible rents)?

For single-family principal 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 an appraisal waiver 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).