



ASSISTANT SECRETARY FOR HOUSING  
FEDERAL HOUSING COMMISSIONER

**Date: October 28, 2020**

**Mortgagee Letter 2020-37**

**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 HUD-Approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

---

**Subject** Extension of Re-verification of Employment guidance and Updated Appraisal Scope of Work Option for Federal Housing Administration (FHA) Single Family programs impacted by the Coronavirus Disease of 2019 (COVID-19)

---

**Purpose** The purpose of this Mortgagee Letter is to announce:

- The extension of re-verification of employment guidance in ML 2020-05; and,
- An updated Appraisal scope of work inspection option providing for Exterior-Only Appraisal, which limits face-to-face contact for certain transactions affected by COVID-19.

---

**Effective Date** The extension of re-verification of employment guidance in ML 2020-05 is effective immediately for cases closed on or before December 31, 2020.

The updated appraisal guidance scope of work in this ML is effective on November 1, 2020 and is applicable to appraisals with an effective date on or before December 31, 2020.

Policy updates in this ML are temporary and will not be incorporated into the the Department of Housing and Urban Development (HUD) Single Family Housing Policy Handbook 4000.1.

---

## Mortgagee Letter 2020-37, Continued

---

### **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.

---

### **Affected Programs**

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

---

### **Background**

On March 13, 2020, President Trump declared a national emergency concerning the COVID-19 outbreak and initiated actions to stem the threat to public health and the American economy. On March 27, 2020, HUD published ML 2020-05, through which the Secretary of HUD authorized flexibilities to the re-verification of employment and Acceptable Appraisal Reporting Forms and Protocols by allowing exceptions for Exterior-Only and Desktop Appraisal inspections in certain transactions.

The effective date of the guidance in ML 2020-05 was re-extended in ML 2020-14, ML 2020-20, and ML 2020-28.

Due to the continuing national emergency caused by the COVID-19 pandemic, HUD is issuing this ML to maintain the re-verification of employment modifications issued in ML 2020-05 and re-extended in ML 2020-14, ML 2020-20 and ML 2020-28.

Appraisal inspection scope of work usage from ML 2020-05 guidance has been monitored and the Exterior-Only Appraisal option has been demonstrated as effective in support of initiatives to combat the spread of COVID-19 by limiting face-to-face contact across all eligible program transactions. With the effectiveness of the Exterior-Only option, the availability of a Desktop-Only option provided in ML 2020-05, for certain purchase transactions without any Appraiser visual observation of the property, is no longer necessary.

---

### **Summary of Changes**

1. This ML only extends and does not change FHA's re-verification of employment announcement in ML 2020-05:

Changes to FHA's Appraisal Protocols are as follows:

- FHA is discontinuing the use of Desktop-Only Appraisal inspection scope of work option.
-

- Most Single Family forward and HECM for Purchase transactions may continue to utilize an optional Exterior-Only Appraisal inspection scope of work.
  - Traditional HECM, HECM-to-HECM refinances, Rate and Term Refinances and Simple Refinances of properties may continue to 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 continue to utilize the Exterior-Only Appraisal inspection scope of work. All appraisals, even Exterior-Only Appraisals, must be completed in a manner consistent with the Fair Housing Act.
  - 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.
- 

**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 at least the street). 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 Appraisal option 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 appraisal 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, or the FHA Catalyst EAD Module.

The appraisal report must include a signed certification indicating the extent of the inspection. FHA has provided model certifications for the [Exterior-Only](#) scope of work.

---

**Exterior-Only Option**

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

- Appraiser will observe the Property and Improvements from at least 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;
  - At a minimum, the exterior photos must include the front and sides of the dwelling (rear photo is not required);
  - Front view of each comparable utilized is required. Multiple Listing Service (MLS) photographs are acceptable to exhibit comparable condition at the time of sale; however, Appraisers must include their own photographs as well, to document compliance;
  - Interior photos and sketch are not required; and
  - The Map Reference field of the appraisal form must be reported as “Exterior”
- 

**FHA Purchase Transactions**

FHA will accept appraisals for both forward and HECM for Purchase transactions with an optional Exterior-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.

---

**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.

---

**FHA Single Family Servicing**

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

---

**Form 1004D Part B Completion Report**

The guidance in ML 2020-05 on the Form 1004D Part B Completion Report is not changed by this ML.

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

---

## Mortgagee Letter 2020-37, Continued

---

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.

---

### **Paperwork Reduction Act**

The information collection requirements contained in this document have been 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 Numbers 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.

---

### **Questions**

Any questions regarding this Mortgagee Letter may be directed to the FHA Resource Center at 1-800-CALL-FHA. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339. For additional information on this Mortgagee Letter, please visit [www.hud.gov/answers](http://www.hud.gov/answers).

---

### **Signature**

Dana T. Wade  
Assistant Secretary for Housing –  
Federal Housing Commissioner