

STAKEHOLDER ANNOUNCEMENT

USDA Grants Temporary Exceptions to Interior Inspection Appraisals and Verbal Verification of Employment in Single-Family Housing Guaranteed Loan Program

WASHINGTON, March 27, 2020 – USDA Rural Development Deputy Under Secretary Bette Brand today announced that USDA is granting lenders temporary exceptions pertaining to appraisals, repair inspections and income verification for the Single-Family Housing Guaranteed Loan Program (SFHGLP) due to the COVID-19 pandemic. Effective immediately, the following exceptions to Agency guidance found at HB-1-3555 are in effect for a period of 60-days.

Residential Appraisal Reports – Existing Dwelling

For purchase and non-streamlined refinance transactions, when an appraiser is unable to complete an interior inspection of an existing dwelling due to concerns associated with the COVID-19 pandemic, an “Exterior-Only Inspection Residential Appraisal Report”, (FHLMC 2055/FNMA 2055) will be accepted. In such cases, appraisers are not required to certify that the property meets HUD HB 4000.1 standards. The appraisal must be completed in accordance with the Uniform Standards of Professional Practice (USPAP) and the Uniform Appraisal Dataset (UAD).

This exception is not applicable to new construction properties or construction-to-permanent loans. As a reminder, appraisals are not required for streamlined and streamlined-assist refinance transactions.

Repair Inspections – Existing Dwelling

For loans for which a completion certification is not available due to issues related to the COVID-19 pandemic, a letter signed by the borrower confirming that the work was completed is permitted. Lenders must also provide 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 loan file.

This exception is not applicable to rehabilitation and repair loans noted in section 12.28 of HB-1-3555.

Verbal Verification of Employment

Lenders must document and verify the borrower’s annual and repayment income in accordance with Agency regulations. Lenders should use due diligence in obtaining the most recent income documentation to re-verify the borrower’s repayment ability prior to closing. When the lender is unable to obtain a Verbal Verification of Employment (VVOE) within 10 business days of loan closing due to a temporary closure of the borrower’s employment, alternatives should be explored. For example, email correspondence with the borrower’s employer is an acceptable alternative to a VVOE. If the lender is unable to obtain a VVOE or acceptable alternative, the requirement will be waived when the borrower has a minimum of two months cash reserves.

In the case of a reduction of income, the borrower’s reduced income must be sufficient to support the new loan payment and other non-housing obligations. Borrowers with no income at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.

Expiration of Temporary Exceptions

These temporary exceptions will expire 60 days from the date of this notice.

Questions regarding program policy and this announcement may be directed to the National Office Division at sfhgld.program@usda.gov or (202) 720-1452.

Thank you for your support of the Single-Family Housing Guaranteed Loan Program!

Links to websites:

SFHGLP Lending Partner Webpage: <https://www.rd.usda.gov/page/sfh-guaranteed-lender>

SFHGLP webpage: <https://www.rd.usda.gov/programs-services/single-family-housing-guaranteed-loan-program>

USDA LINC Training and Resource Library:
<https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>

Procedure Notices: <https://www.rd.usda.gov/resources/directives/procedures-notices>

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