



Last Reviewed: 10/20/2023



Desktop Appraisals: Overview and Requirements

Overview:

Fannie Mae and Freddie Mac introduced an option for a desktop appraisal for purchase transactions that meet certain requirements.

These forms are referred to as a Hybrid Form (1004 Hybrid/70H) or Desktop Form (1004Desktop/70D).

Hybrid: An appraisal assignment consisting of a desktop appraisal, for which the scope of work includes reviewing a recent interior/exterior property data report.

Desktop Appraisal: An appraisal assignment for which the scope of work does not include field work by the appraiser and does not include reviewing a recent interior/exterior property data report.

Effective Date:

Freddie Mac: Effective for LPA Accept loans run on or after March 6, 2022

Fannie Mae: Effective for DU Approve/Eligible loans run on or after March 19, 2022.

Eligibility Requirements:

- Approve/Accept from DU or LPA and must have a feedback message indicating that the mortgage is eligible for delivery with a desktop appraisal
- The feedback message will only appear and is only applicable to certain transactions. Not all transactions meeting the criteria will receive the feedback message. If the message does not appear, a full appraisal is required
- Loan criteria:
 - 1-unit Primary Residence
 - LTV \leq 90%. The LTV ratio is calculated using the sales price.
 - The loan amount cannot increase. Refer to procedures detailed below.
 - The appraiser must include a floor plan exhibit showing all interior rooms, in addition to all other exhibits.

Note: When the desktop appraisal option message is issued, DU and LPA will continue to issue messages regarding eligibility for an appraisal waiver and the requirement for an interior and exterior property inspection on the traditional Form 1004/70D. This will ensure all users are aware of all applicable appraisal options.

Change in Loan Amount:

The option to use the desktop appraisal only applies if the loan amount does not increase, even if the LTV ratio increases to a value of 90% due to the value returned on the desktop appraisal. A condition will be issued by underwriting to reflect that any increase in the loan amount is not permitted.

For example:

If the original loan amount is \$90,000 for a \$100,000 purchase price and the appraised value comes in at \$98,000, the loan amount must remain at \$90,000 with the higher PMI coverage.

If the original loan amount is \$90,000 and the value is returned at \$105,000, the loan amount must remain at \$90,000, regardless of any negotiations of the purchase price.

It is reasonable to assume there may be some cases where a loan amount must be changed due to availability of funds or other circumstances. In these cases, the loan must be treated as a Change of Circumstance, and:

- Follow the COC process to charge the borrower the appraisal fee and reissue the LE. All compliance and timing requirements apply.
- Order a full appraisal
- Re-Run AUS. In all cases a full appraisal will be required if the loan amount increases.

Ineligible Loans:

- Attached condominium units.
- Manufactured Homes
- Second homes and investment properties
- Limited cash out and cash out refinances
- Construction to permanent loans
- 2-4 unit properties
- Community Lending Mortgage, *including HomeReady and BorrowSmart programs*
- Renovation loans
- Ineligible recommendations from AUS
- Freddie Mac Only: Detached Condos
- Non-arm's length transactions (Effective on/after July 11th, 2022)
- Community land trusts or other properties with resale restrictions
 - **Fannie Mae and Freddie Mac** will allow for age-based resale restrictions. These properties are subject to the requirements outlined in the Retail Lending Guide, Section 414.0 Resale Deed Restrictions.
- Texas 50(a)6 loans
- Freddie Mac Only: Mixed-Use Properties

No Physical Inspection of the Property:

A desktop appraisal means the appraiser is not required to physically inspect the property. The appraiser is responsible for developing sufficient information to develop a credible report. Photographs and data about the property may be provided by various parties (buyer/seller agent, homeowner, builder, appraiser files, etc.) and through secondary sources such as the internet, public records, and MLS. Data provided by parties with a financial interest in the sale or financing of the subject property must be verified by a disinterested source.

Loan Delivery:

Fannie Mae has indicated they do not require a special feature code when a desktop appraisal is used.

Freddie Mac requires the additional ULDD data points:

- Property Valuation Form Type (Sort ID 85) and enter a valid value of "Uniform Residential Appraisal Report"
- Property Valuation Method Type (Sort ID 89) and enter a valid value of "Desktop Appraisal"

References

Fannie Mae Release Notes:

<https://singlefamily.fanniemae.com/media/30336/display>

Fannie Mae Quick Reference:

<https://singlefamily.fanniemae.com/media/30361/display>

Freddie Mac Announcement:

<https://guide.freddiemac.com/app/guide/bulletin/2022-2>