



Enhanced Property Inspection Waiver Frequently Asked Questions

October 24, 2016

Property inspection waiver (PIW) is an offer to waive the appraisal for certain refinance transactions. PIW offers are issued through Desktop Underwriter® (DU®) using Fannie Mae's database of more than 20 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. Effective December 10, 2016, an enhanced PIW offering will be available to all lenders via DU.

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.



Q1. What is the process for lenders to request access to PIW?

Effective December 10, 2016, PIW is available to all lenders who use DU. There is no separate registration process.

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. Which transactions are eligible for consideration for a PIW?

The PIW offer will be considered on the transactions below:

- One-unit properties, including condominiums
- Principal residence, second home, and investment property transactions
- Limited cash-out refinance transactions up to a 90% LTV/CLTV for principal residences and second homes; up to 75% LTV/CLTV for investment properties
- Cash-out refinance transactions up to a 70% LTV/CLTV for principal residences; up to a 60% LTV/CLTV for second homes and investment properties
- Loan casefiles that receive an Approve/Eligible recommendation

Purchase transactions and the majority of refinance 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; purchase, construction, and construction-to-permanent loans; two- to four-unit properties; loan casefiles where 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; leasehold properties, community land trusts, or other properties with resale restrictions; cooperative units and manufactured homes; DU loan casefiles that receive an ineligible recommendation.



Q4. 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 to DU is complete and accurate.

When exercising a PIW, the lender is required to include the casefile ID and Special Feature Code (SFC) 801 on the loan delivery file to Fannie Mae to receive representation and warranty relief. There is a \$75 fee associated with exercising the PIW. 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 Q6 and the *Selling Guide* for situations in which the PIW offer may not be exercised.

Q5. 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 two fieldwork messages:

- One message indicating the availability of the PIW (see message text below)
- A second message indicating the fieldwork required if the lender chooses not to exercise the PIW when delivering the loan to Fannie Mae

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:

Desktop 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. A fee will be charged for this waiver. If the waiver is not exercised, an appraisal based on an interior and exterior property inspection reported on Form 1004 is required for this transaction. If the subject property is located in a condominium project, the appraisal must be reported on Form 1073. If an appraisal is obtained for this transaction, 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 a message indicating the need for an appraisal based on an interior and exterior property inspection on Form 1004. The lender can either (a) obtain the interior and exterior appraisal on Form 1004 or (b) waive the interior and exterior appraisal by exercising the PIW for a fee.

Q6. 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 doesn't capture HomeStyle® Energy intent so it may issue an invalid PIW.)
- The mortgage insurance provider requires an appraisal.

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

Q7. 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 Special Feature Code 801.

Q8. Have the mortgage insurance companies been notified about the specifics related to the enhanced PIW?

Fannie Mae has briefed the mortgage insurance companies. Lenders should contact their mortgage insurance providers directly for more information.

Q9. 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 Special Feature Code 801 (as stated in Q7).

Q10. 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.

Q11. 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* Section B1-1.2 still applies when the lender exercises the PIW.



Q12. Does the PIW fee have to be listed on the Closing Disclosure?

Fannie Mae relies on its lender partners to originate loans in accordance with applicable law. We recommend that the lender obtain advice from its legal counsel if it is unsure what applicable law requires.

However, we do note that our PIW fee is a secondary market charge that we assess in connection with mortgage loans we purchase or that are delivered into MBS, and is not a “settlement charge” of the type typically disclosed on the Closing Disclosure. To the extent that a lender, on advice from its counsel, decides to recover the costs of this or any other secondary market charge by including it in an existing settlement charge or creating a new settlement charge, we would expect that settlement charge to be disclosed on the Closing Disclosure as an item payable to the lender, not payable to Fannie Mae.

Q13. 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.

Q14. Is there a charge associated with the PIW?

Yes. Fannie Mae charges a \$75 fee when a PIW is exercised at delivery for an eligible loan.

Q15. How is the PIW fee assessed?

For loans delivered for MBS, Fannie Mae will draft the PIW charge in accordance with the requirements of the *Selling Guide*.

For whole loans, the PIW charge will be netted from the total proceeds upon purchase.

Q16. 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.

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).