



Enhanced Property Inspection Waiver

Frequently Asked Questions

Updated November 28, 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.



PIW fee discontinued

All questions related to the previously announced fee for a Property Inspection Waiver have been removed. Fannie Mae is discontinuing the \$75 PIW fee effective January 1, 2017. The process for exercising a PIW offer will not change. Lenders must provide special feature code (SFC) 801 at the time of loan delivery, but the fee will no longer apply.

Discontinuance of the fee applies to all loans *delivered* with SFC 801 on or after January 1, regardless of when the PIW offer was issued.

Contents

Frequently Asked Questions	1
General	1
Process and Policy Requirements	3
Delivery Information	5
For More Information	6

General

Q1. How do lenders get access to PIWs?

Effective December 10, 2016, PIW is available to all lenders who use DU. No registration is needed.

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. UPDATED 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 trust homes, or other properties with resale restrictions; cooperative units and manufactured homes; DU loan casefiles that receive an ineligible recommendation.

NOTE: [DU Refi Plus](#) loan casefiles will continue to be eligible for the DU Refi Plus property fieldwork waiver (PFW).

Q4. NEW Other than the items specified in Q3 above, are there any other items that are considered on the loan casefile before the PIW is offered?

Yes. There are a few items not related to the loan product or terms that will prevent DU from offering a PIW, including:

- The subject property address must include the street address, city, state, and zip code.
- Desktop Originator® (DO®) loan casefiles must be submitted to a sponsoring lender. The PIW will not be offered on loan casefiles underwritten through Preliminary Findings.
- If a Doc File ID is provided (which indicates an appraisal was already obtained), a PIW will not be offered.
- Prior appraisal requirements must be met. See Q5 below.

Q5. NEW Are there prior appraisal requirements for a PIW to be considered?

For a PIW to be considered, 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 PIW. 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 a PIW will not be offered on the new loan casefile.

Q6. NEW Why is PIW not being offered on purchase transactions?

We rely on data captured from a full interior and exterior inspection on purchase transactions to power the CU model with up-to-date property and transaction data across the entire country. Having this data on purchase transactions enables us to confidently offer more PIWs on subsequent refinance transactions and offer freedom from representations and warranties on property value.

Q7. UPDATED Is there a charge associated with the PIW?

No. Effective for loans delivered to Fannie Mae on or after January 1, 2017, there is no fee associated with exercising a PIW or a DU Refi Plus PFW.

Process and Policy Requirements

Q8. 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.

Q9. UPDATED 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 a message indicating the availability of the PIW (see message text below).

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. 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 the need for an appraisal based on an interior and exterior property inspection on Form 1004 or 1073 if the waiver is not exercised. The lender can either (a) obtain the interior and exterior appraisal or (b) waive the interior and exterior appraisal requirement by exercising the PIW.



Q10. UPDATED 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 does not capture HomeStyle® Energy intent so it may issue an invalid PIW.)
- The property is a leasehold property, community land trust home, or other property with resale restrictions.
- The mortgage insurance provider requires an appraisal.

See the *Selling Guide* for additional information.

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

Q11. 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 SFC 801 (as stated in Q13 below).

Q12. 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.

Q13. 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 SFC 801.

Q14. UPDATED 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* Sections [B2-1.2-02](#) and [B2-1.2-03](#) still apply when the lender exercises the PIW.

Q15. 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.

Q16. UPDATED 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 (other than the value estimate) to DU is complete and accurate.

When exercising a PIW, 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 PIW offer, the lender must obtain at least the minimum level of appraisal fieldwork recommended by DU. Refer to Q10 and the *Selling Guide* for situations in which the PIW offer may not be exercised.

Q17. NEW For properties secured by condos that receive a PIW offer, will 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.

Q18. NEW When a PIW has been exercised, what are the lender's QC obligations?

For a loan with an exercised PIW, 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 PIW or origination process. Choosing to include loans that have PIWs in a discretionary sample can help to ensure that the process of exercising a PIW follows lender and Fannie Mae requirements. For example, the review should confirm that the lender declined to exercise PIW offers on Homestyle® Energy loans, loans in disaster areas, or loans with resale restrictions, and instead obtained an appraisal as required by our policy.

Delivery Information

Q19. 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.

Q20. NEW When a lender exercises a PIW offer, must they provide the property-specific housing goals data (e.g., number of bedrooms, eligible rents)?

No. The property-specific housing goals fields are only required if the Property Valuation Method Type is "Full Appraisal" or "Prior Appraisal Used." When a PIW is exercised, the Property Valuation Method Type is "None."

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).