



Fannie Mae plans appraisal waivers for high-needs rural loans

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Fannie Mae is preparing to add an appraisal waiver option for mortgages in regions that [Duty to Serve](#) designates as high-needs rural areas, but only if home inspections are completed instead.

"The rural high-needs appraisal waiver seeks to help low- and moderate-income borrowers avoid unanticipated, potentially high-cost, post-purchase repairs," Fannie said in [a fact sheet](#) it issued about the forthcoming option.

In addition to reducing the risk of future repair costs that could hurt loan performance, requiring [a home inspection rather than an appraisal](#) could provide "cost and cycle time savings," according to the government-sponsored enterprise.

The prerequisites

Some of the characteristics that rural home mortgages will need to qualify for Fannie Mae's new appraisal waiver are

- [Located in a Duty to Serve high-needs area](#)

• Income must be 100% of the area median or less J. PARK

National Mortgage News



Reading List

• **Manufactured homes are excluded**

• **Loans must be "approved" or "eligible"**

• **A home inspection must be done**

• **Maximum 97% LTV or 105% CLTV**

Source: Fannie Mae

Appraisals by licensed professionals cost \$300-\$600, and require two hours of inspection time on average, according to HomeAdvisor. Home inspections by licensed professionals can take one to four hours, or more, and cost \$200 to \$500.

Borrowers eligible for the new appraisal waiver must have incomes at, or below, 100% of the area median. Manufactured homes will be excluded. Loans must receive an "approved" or "eligible" recommendation from Fannie's automated underwriting system.

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The maximum loan-to value will be 97%. The maximum combined LTV will be 105% if a property has a Community Seconds subordinate-lien loan on it as well as a first-lien mortgage.

Concentrations of eligible high-needs rural areas can be found in Alaska, across the border from Mexico, and in and around Louisiana. There also is another concentration of high-needs rural areas extending south from Ohio into other states. Smaller numbers of eligible counties are located in the Southeast and parts of the West.

Fannie plans to add the new appraisal waiver option for loans in these areas to its system later this year.

Reading List



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Bonnie Sinnock is the capital markets editor of National Mortgage News.

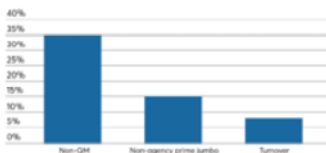


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Source: Standard & Poor's

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Low expectations

Home sales and originations are expected to decline despite improved housing conditions

- 30-year fixed-rate mortgage: 4.5%
- Total home sales: 6.07 million (-0.9%)
- Home price growth: 5.5%
- Total originations: \$1.65 billion (-8.9%)

Source: Freddie Mac

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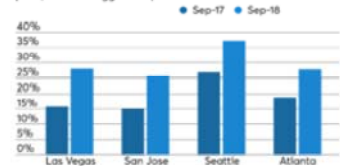
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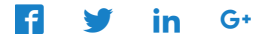
Source: Redfin



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