

Correspondent Lending Procedure

Procedure

FNMA has developed and implemented a comprehensive appraisal evaluation tool, Collateral Underwriter (CU), which effective January 26, 2015 will be integrated with appraisals uploaded to the Uniform Collateral Data Portal (UCDP). CMG will require any files uploaded to UCDP on or after January 26, 2015 to be properly documented as outlined in the sections below based on the seller's status. A CU risk score, flags, and messages will be returned on the Fannie Mae Findings tab in UCDP and in the Submission Summary Report (SSR). Individual risk flags, if present, identify factors contributing to high risk scores: quality issues, overvaluation, and/or property eligibility or policy compliance violations. These factors are rated with a risk score of 1-5, 5 being the highest risk.

Ultimately it is the seller's responsibility to ensure the appraisal product is acceptable, if an additional desk or field review should be required, and that the correct property value is used for qualification purposes. Whenever a risk flag or hard stop is present as outlined below, CMG will expect documentation of the seller's due diligence, including—but not limited to—appraisal comments, explanation of any overrides, and/or field or desk reviews.

As CU is rolled out to FNMA seller/servicers through April, seller/servicers will gain access to CU's robust interface and messaging system in addition to what will be showing on the SSR. Once the rollout has been completed, all FNMA seller/servicers should not only respond to messaging on the SSR, but also review underlying CU data within the CU interface and take appropriate action(s). Non-seller/servicers will not have access to CU until it becomes available through FNMA.

Impacted Products:

A CU report is generated for all conventional appraisals that utilize the following UAD-compliant forms:

- Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70)
- Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae Form 1075/Freddie Mac Form 466)
- Exterior-Only Inspection Residential Appraisal Report (Fannie Mae/Freddie Mac Form 2055)

A CU report is not generated for VA loans, FHA loans, or appraisals utilizing the following non-UAD compliant forms:

- Manufactured Home Appraisal Report (Fannie Mae Form 1004C/Freddie Mac Form 70B)
- Small Residential Income Property Appraisal Report (Fannie Mae Form 1025/Freddie Mac Form 72)
- Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)
- Exterior-Only Inspection Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)

Non-FNMA Seller/Servicers and Seller/Servicers without CU Access: SSR Flag Analysis

Please note a copy of the SSR findings are required with every appraisal.

SSR Quality and/or Overvaluation Flag with 4 or Greater Score

All SSR Quality and/or Overvaluation flags with a risk score of 4 or greater must have the appropriate steps taken to ensure the validity of the value on the appraisal which may include but is not limited to, comments from the underwriter, comments from the appraiser, field review, and or a desk review.

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SSR Compliance Flag

In every case where a CU Compliance Flag is present there is something within the appraisal or within the data that would make that loan ineligible for delivery to FNMA. These flags are very rare and must be addressed clearly and directly whenever they are encountered. There are oftentimes discrepancies such as illegal zoning, illegal use, commercial space, more than 4 units, etc. Whenever this flag is encountered, the seller should review the finding closely to determine its validity and course of action. The seller should take extreme caution before approving this loan as pending a correction to this information as the appraisal makes the property ineligible. If the appraiser due to a typo or correction makes a correction, the new data must be uploaded through UCDP and the report should be reviewed again through CU messaging to ensure that the issue has been resolved. If a compliance flag cannot be addressed the seller should take the appropriate steps to ensure the validity of the value on the appraisal which may include but is not limited to, comments from the underwriter, comments from the appraiser, field review, and or a desk review.

UCDP Hard Stop Override

Effective January 26, 2015, UCDP will begin issuing manually **overridable** hard stops, and sellers will receive a “Not Successful” status when one or more of the 21 possible appraisal messages are issued. Sellers will be required to review the Fannie Mae appraisal message(s) to verify if the information is correct as submitted or if a new or corrected appraisal—containing detailed and acceptable explanation for issue(s) raised and/or data corrections—is required. If the information is verified as correct and it is determined that there is no impact to loan eligibility, the seller may request a manual override and provide a reason code (list can be found on [UCDP Appraisal Messaging Change Notification](#)) to change the submission status to “Successful” in UCDP, with the exception of flags for appraisers requiring 100% FNMA review of the appraisals prepared by this appraiser*. Under no circumstances will CMG accept appraisals with a “**Not Successful**” UCDP submission, and where manual overrides have been used. The seller must fully document the acceptability, rationale and reasoning for the override.

*Any time the appraiser certification flag is present on the UCDP SSR findings stating that the appraiser is subject to 100% review by FNMA, the loan that contains this message must be approved by Corporate Credit prior to purchase.

Example:

Fannie Mae Proprietary Edit Findings								
FNM0193	Appraiser Certification	AppraiserState Certification #	Subject	Based on the overall quality of this appraiser's work, Fannie Mae has decided to review 100% of the appraisals prepared by this appraiser for any loans delivered to Fannie Mae.	Overridable	Other (see comments)	Override automatically approved	04/13/2015 14:22:23

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FNMA Seller/Services with CU Access: Collateral Underwriter (CU) Message and Flag Analysis

Please note a copy of the CU report and SSR findings are required with every appraisal where a CU report is generated.

CU Overvaluation Flag & Quality Flag with 4 or Greater Score

CU and its messaging provide great resources for reviewing both the technical aspects of the appraisal as well as the potential for overvaluation and compliance issues. In each case, CU and its messaging should not be the sole driver in seller action related to the appraisal. CU will provide details and information through messaging that should be reviewed to ascertain its accuracy and where applicable this information should be used to garner more information from the appraiser (i.e. why didn't he use x comp or y comp in his valuation process, etc.). Appraiser responses should be requested wherever needed, to address specific messages. Additional discretion may be required in evaluating the validity of flags generated by appraisals on new construction, as the most up-to-date mapping information may not be available for the system to accurately evaluate comparables.

Loans identified as elevated risk should be carefully reviewed during the valuation process. The objective is to review all information available and in instances where value or accuracy cannot be supported make use of review products to support the subject property value, such as field or desk reviews. Where multiple risk characteristics exist on an appraisal, the expectation of detailed explanation and/or review will be elevated.

CMG asks that for all appraisals indicated as "High Risk" by CU findings (risk scores 4, 5 and 999) the lender to provide the following information:

1. Provide a copy of the full CU report. This may be done by either:
 - a. assigning the report in CU – refer to guidance in the recommended best practice and time-saving "New Appraisal Sharing Functionality in UCDP" section later in this document; or
 - b. printing (see printing step below).

Note: Assigning the report may be more efficient and save time vs printing.

2. Provide a copy of any other collateral analysis tools to support the appraisal report, and
3. Provide a detailed rationale on how those issues identified within the CU report were overcome.

Printing Reports from CU: Lender may print the CU Findings Report directly from CU.



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been resolved. A loan should not be delivered with a Compliance flag outstanding— any exception to this **must be** prior approved by CMG.

999 Risk Score

Some appraisals will receive a risk score of 999, meaning that CU cannot fully evaluate the information provided in the UCDP data. A 999 score should not be considered a “no hit” as CU and the messaging still contain valuable information that should be evaluated by the seller. As with all appraisals, the seller should evaluate the report, messaging, review CU if applicable for additional information, and make a decision as to the reasonableness and the support provided for the value.

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New Appraisal Sharing Functionality in UCDP

Effective February 7, 2016 Fannie Mae and Freddie Mac announced the implementation of a new appraisal-sharing solution within the Uniform Collateral Data Portal® (UCDP®).

As a Best Practice effort - The appraisal-sharing feature enables the seller to easily share appraisal information with CMG within the UCDP® providing greater certainty and transparency. The new appraisal-sharing solution is extremely beneficial to both seller and CMG by primarily having the ability for Aggregators to retrieve the Status. The Seller must set up their “Aggregator profile” within the UCDP® web portal and then select the aggregator (s) with whom they chose to share the appraisal.

Seller will continue to be required to provide successful Submissions Summary Reports (SSR) for shared appraisals; however this new solution will help to reduce post-purchase resolution time and expedite loan delivery to the agencies.

CMG Aggregator ID: UAV707

Reference

External Resources:

- Fannie Mae – CU Resources
<https://www.fanniemae.com/singlefamily/collateral-underwriter>
- Fannie Mae – UCDP Appraisal Messaging Change Notification
https://www.fanniemae.com/content/release_notes/ucdp-change-notification-01262015.pdf
- **Appraisal Sharing Job Aid:** https://www.fanniemae.com/content/job_aid/ucdp-appraisal-sharing-correspondents.pdf
- **UCDP Resources:** <https://www.fanniemae.com/singlefamily/uniform-collateral-data-portal>