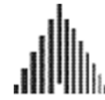




Fannie Mae®

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**Appraisal  
Institute®**

*Professionals Providing  
Real Estate Solutions*

## **Fannie Mae Collateral Policy Update**

Presenter: Zachary Dawson  
April 24, 2017



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# **APPRAISAL QUALITY**



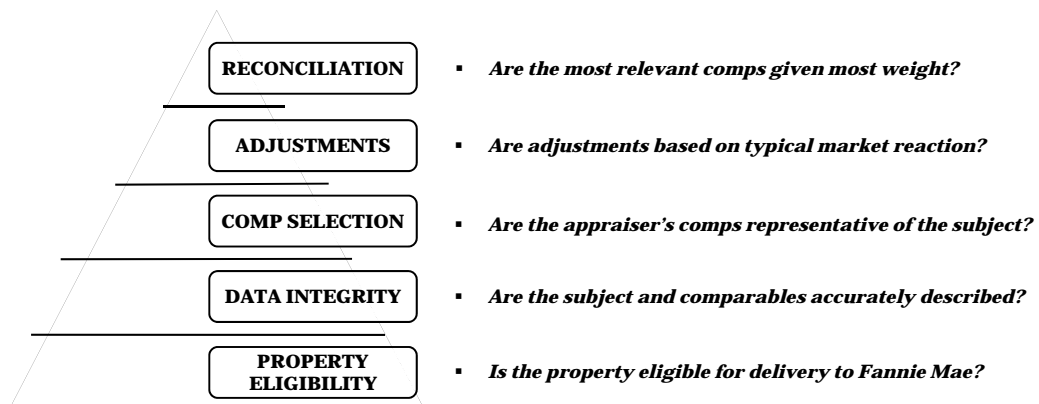
## Why Is Appraisal Quality Important?

- Correct and complete data is essential to establishing an accurate value.
- A misleading appraisal impedes the underwriter's ability to make a sound decision.
- Current market conditions mask collateral risk.
- Analysis of historical data suggests correlation between overvaluation and risk of default.

***Value is the "V" in "LTV".***



## Key Appraisal Components



***Lenders must ensure the property meets property eligibility guidelines and that the appraisal accurately reflects the property's condition, value, and marketability.***



# COLLATERAL UNDERWRITER® UPDATES



## Collateral Underwriter Statistics

**Registered Lenders**

**1,935**

**Registered Users**

**18,474**

**Appraisal Submissions**

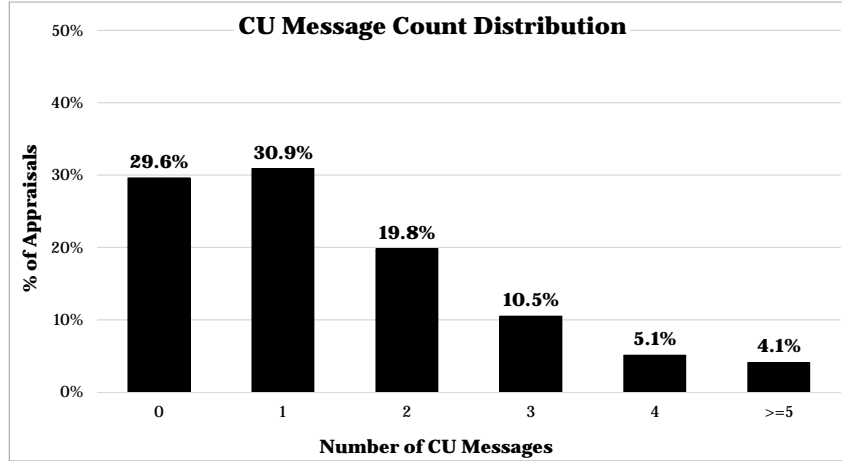
**24M+**

*\*Statistics as of March 2017*



## CU Messages

\* Stats from 2017 Q1

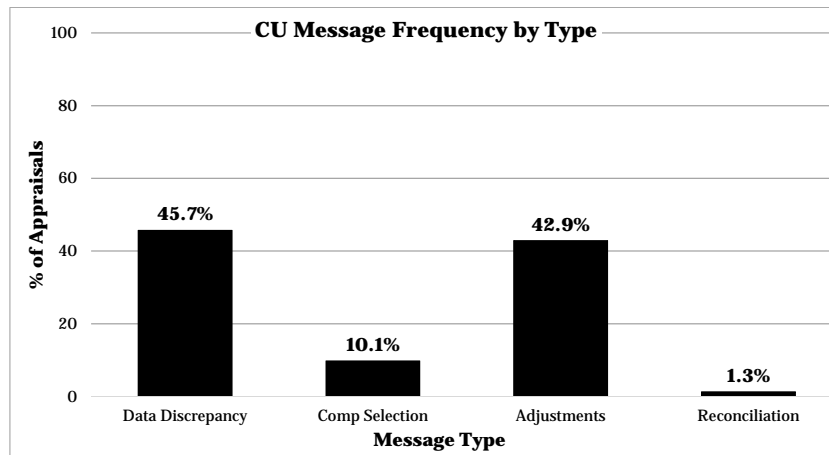


***Roughly 80% of appraisals had less than three CU messages per appraisal last quarter.***



## CU Messages (continued)

\* Stats from 2017 Q1



***Data Discrepancy and Adjustment messages continue to be the most frequent.***



## Recommendations for Appraisers

### **Know that reliance on arbitrary guidelines may have unintended consequences**

Appraisers, AMCs, and lenders have long-relied on many “rules-of-thumb” to determine quality. Compliance with these rules-of-thumb does not necessarily guarantee an accurate valuation or well-supported appraisal.

### **Take necessary steps to ensure accurate and consistent data for the subject and comparables**

Double-check sales prices and property attributes with MLS data, public records, and other available resources. If you use comparable sales in multiple reports, be sure data is accurate and consistent with prior reports.

### **Don't let your MLS search obscure your view of the market**

Understand that an overly-restrictive search in MLS may fail to yield all relevant data points that are necessary to inform your market analysis, comp selection, and opinion of value.

### **Make market based adjustments for time, location, and property attributes**

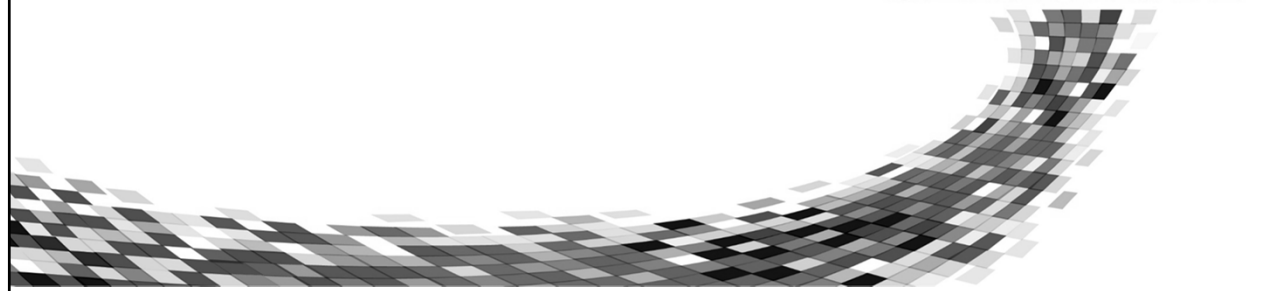
Remember that failure to make market-based adjustments is a violation of Fannie Mae policy. Adjustments should be based on statistical analysis and reflective of the market's reaction to differences in the properties.

### **Provide your clients with thoughtful commentary and responses**

Avoid reliance on canned commentary and defensive responses to lenders' questions. Thoughtful commentary and exhibits can reduce further requests for correction and clarification.



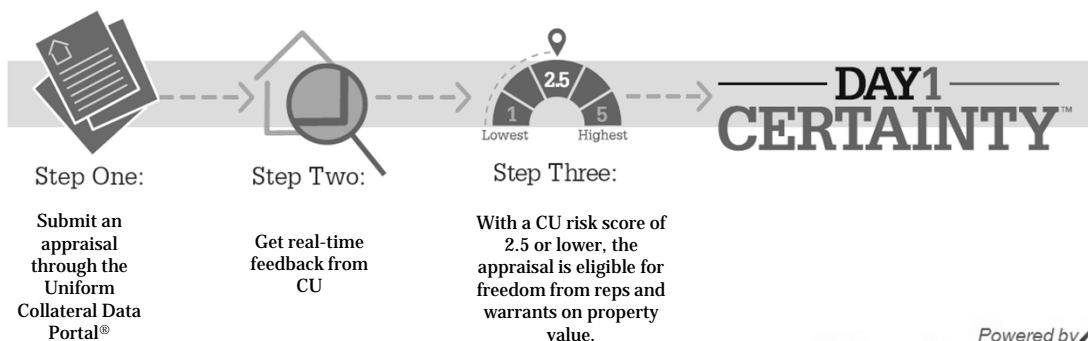
DAY1  
CERTAINTY™





## Certainty on Appraised Value

Harnessing the power of Collateral Underwriter® (CU™), Fannie Mae will offer freedom from representations and warranties related to the property value for eligible loan casefiles.

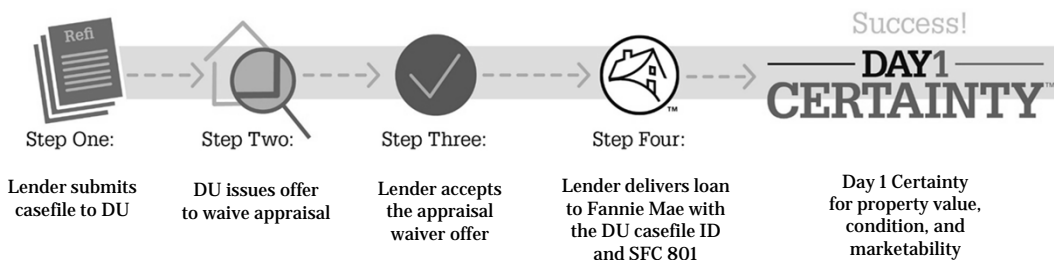


Powered by Collateral Underwriter



## Property Inspection Waiver (PIW)

DU may provide lenders an offer to waive the appraisal for certain refinance transactions.



Powered by Collateral Underwriter



## PIW – Eligible and Ineligible Transactions (Effective December 10, 2016)

Eligible Transactions	Ineligible Transactions
<ul style="list-style-type: none"><li>• One-unit properties, including condominiums</li><li>• Principal residence, second home, and investment property transactions</li><li>• 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</li><li>• 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</li><li>• Loan casefiles that receive an Approve/Eligible recommendation</li></ul>	<ul style="list-style-type: none"><li>• Properties located in a disaster-impacted area</li><li>• Purchase, construction, and construction-to-permanent loans</li><li>• Two- to four-unit properties</li><li>• Loan casefiles where the value of the subject property provided to DU is \$1,000,000 or greater</li><li>• HomeStyle® mortgage products (Renovation and Energy)</li><li>• DU Refi Plus™ loan casefiles*</li><li>• Leasehold properties, community land trusts, or other properties with resale restrictions</li><li>• Cooperative units and manufactured homes</li><li>• DU loan casefiles that receive an ineligible recommendation</li><li>• Texas 50(a)(6) loans</li></ul>



## POLICY UPDATES 2016-2017



## Policy Updates 2016-2017

### **B4-1.1-03, Appraiser Selection Criteria (01/31/2017)**

#### ***UPDATED: Appraiser Trainees***

Fannie Mae allows an unlicensed or uncertified appraiser, or trainee (or other similar classification) to perform a significant amount of the appraisal (or the entire appraisal if he or she is qualified to do so). If an unlicensed or uncertified individual provides significant professional assistance, he or she must sign the left side of the appraiser certification as the Appraiser if:

- he or she is working under the supervision of a state-licensed or state-certified appraiser as an employee or sub-contractor,
- the right side of the appraiser certification is signed by that supervisory appraiser, and
- it is acceptable under state law.

If the jurisdiction does not provide license numbers for trainees, the term “Trainee” should be entered in the “Other” field in the Appraiser Certification section.



## Policy Updates 2016-2017

### **B4-1.1-03, Appraiser Selection Criteria (01/31/2017) – continued.**

If a supervisory appraiser is used, the supervisory appraiser does not need to physically inspect the subject property or comparables, but must sign the right side of the report and certify that he or she:

- directly supervised the appraiser that prepared the appraisal report,
- has reviewed the appraisal report,
- agrees with the statements and conclusions of the appraiser,
- agrees to be bound by certifications as set forth in Fannie Mae’s appraisal report forms, and
- takes full responsibility for the appraisal report.

A supervisory appraiser may not sign the left hand side of the appraisal report unless he or she has met the requirements of the appraiser as noted in the License and Certification section in this topic.





## Policy Updates 2016-2017

### **B4-1.1-05, Disclosure of Information to Appraisers (12/6/2016)**

#### ***UPDATED: Contract changes after the appraisal is completed***

If the contract is amended *after* the effective date of the appraisal in a way that does not affect the description of the property, then the lender is not required to provide the amended contract to the appraiser nor obtain a revised appraisal. Some examples of amendments that do not require the lender to provide the amended contract nor obtain revisions to the already-completed appraisal report include:

- sale price,
- transaction terms,
- financing concessions,
- seller-paid closing costs,
- names or initials,
- closing date, and
- correction of minor clerical errors such as misspellings.



## Policy Updates 2016-2017

### **B4-1.3-08, Comparable Sales (01/31/2017)**

#### ***UPDATED: New (or Recently Converted) Condos, Subdivisions, or PUDS***

In the event there are no closed sales inside a new subject project or subdivision because the subject property transaction is one of the first units to sell, the appraiser may use two pending sales in the subject project or subdivision in lieu of one closed sale. When the appraiser is using two pending comparable sales in lieu of a closed sale, the appraiser must also use at least three closed comparable sales from projects or subdivisions outside of the subject property's project or subdivision.



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## **Policy Updates 2016-2017**

### **B4-1.3-09, Adjustments to Comparable Sales (01/31/2017)**

#### ***UPDATED: Sales or Financing Concessions***

Fannie Mae recognizes that the effect of sales or financing concessions on sales prices can vary with the amount of the concessions and differences in various markets. Adjustments must reflect the difference between what the comparables actually sold for with the sales or financing concessions and what they would have sold for without the concessions so that the dollar amount of the adjustments will approximate the reaction of the market to the concessions. If the appraiser's analysis determines that the market's reaction is the full amount of the financing concession, a dollar-for-dollar adjustment is acceptable.

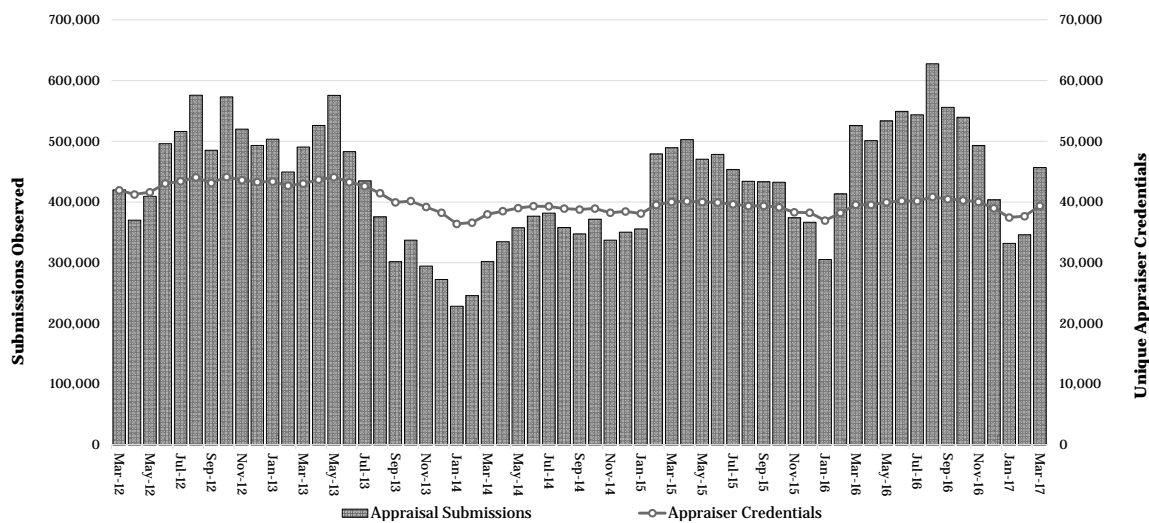


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## **APPRAISAL & APPRAISER VOLUME**



## Monthly Appraisal and Appraiser Volume



## The Problem: Appraisal Demand vs. Appraiser Capacity

- Analysis suggests that recent challenges with costs and turn times are more a result of high volume over a prolonged period than they are a sharp decline or “shortage” of appraisers.
- However, a decreasing number of licensed appraisers overall and fewer new licenses being issued are problems that should not be ignored.
- While there are many reasons for appraiser attrition and lack of new entrants to the profession, the underlying issue is that demand for appraisal services is highly variable and the capacity of appraisers – collectively as an industry and on an individual level – is inelastic.
- The end result is unpredictable earning potential for appraisers and volatility in costs and turn-times for their clients – neither of which supports a stable housing finance system.



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## **A Scalable, Sustainable Solution**

A successful long-term solution must include the following components:

- a viable plan to attract and retain new valuation professionals to the field,
- a more efficient appraisal process to increase the capacity of each individual appraiser,
- use of data, analytics and technology to produce more credible and transparent valuations, and
- alternative means of valuation that responsibly reduce demand for traditional appraisals in certain cases.



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## **RESOURCES**



## Updated Appraiser Page

Sign Up for Email Updates

### Related Links

Appraiser Quality Monitoring  
Day 1 Certainty

### Related Applications

Collateral Underwriter

Uniform Collateral Data Portal (UCDP)

### Newsletters

**March 2017 Edition new** Apr 06, 2017  
Our first issue covers Day 1 Certainty, including Property Inspection Waivers (PIWs) and certainty on appraised value, Collateral Underwriter (CU) stats, and Selling Guide updates relevant to appraisers.

### Appraiser Resources & FAQs

FAQs | Appraisal and Property Related Frequently Asked Questions

Appraiser Independence Requirements (AIR) updated

FAQs | Appraiser Independence Requirements updated

FAQs | Appraisal and Property Eligibility for Flint, Michigan updated

FAQs | Uniform Appraisal Dataset (UAD)

FAQs | Appraiser Quality Monitoring

FAQs | Certainty on Appraised Value

FAQs | Collateral Underwriter

### What's New

Appraisal Policy Clarifications and Updates Jan 31, 2017

We have clarified that appraisal trainees may perform property inspections; will allow use of dollar-for-dollar adjustments to financing or sales concessions based on local market reaction; and are providing flexibility on comparables in new projects or subdivisions.

FAQs on Appraising Properties in Flint, Michigan Feb 11, 2016

These FAQs provide information on lender and appraiser responsibilities related to environmental hazards, specifically in connection with properties impacted by the water crisis in Flint, Michigan.

Show All

### Guide Resources

#### Access Guide

Selling Guide

Selling Guide | Part B (See B4-1: Appraisal Requirements and B2-3: Property Eligibility)

AllRegs.com

### HIGHLIGHTS:

- **1<sup>st</sup> Appraiser Newsletter**
- **Updated FAQs**
- **Additional Training Modules Currently Being Added -**
  - **1<sup>st</sup> Up is "CU & AQM: Separating Fact from Fiction"**
- **Link to Directly to Part B of the Selling Guide**
- **Sign Up for Email Updates**

<https://www.fanniemae.com/singlefamily/appraisers>



## Collateral Underwriter Page



LAUNCH APP

Access Classic CU

### Manage My Account +

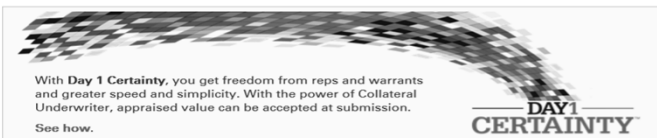
Reset My Password  
Users: Update  
Password/Profile  
Admins: Manage  
Applications/Users

### See Availability

Technology Application  
Availability

### Related Links

Day 1 Certainty  
Appraisers  
Appraiser Quality Monitoring  
Uniform Appraisal Dataset (UAD)



With **Day 1 Certainty**, you get freedom from reps and warrants and greater speed and simplicity. With the power of Collateral Underwriter, appraised value can be accepted at submission.  
See how.

### Learn How CU Can Help Your Business

Collateral Underwriter Fact Sheet  
Collateral Underwriter Infographic

### New Users: How to Register

To learn how to register for CU, click on the guide links below. Once registered, you can set up your password and update your personal profile via More...

### Help & Training

Getting Started  
CU 4.0 Overview Video

### Application Training

Collateral Underwriter Job Aids

### User Guide

### What's New

Collateral Underwriter Policy Clarifications Mar 28, 2017

The Selling Guide has been updated to align with prior communications providing that loans are eligible for certainty on appraised value regardless of whether the loan was underwritten through DU.

Show All

### Release Notes

CU V. 4.1 Release Notes | March 25, 2017  
CU V. 4.0 Release Notes | Dec. 10, 2016

Show All

### Frequently Asked Questions

FAQs | Certainty on Appraised Value  
FAQs | Collateral Underwriter  
FAQs | Collateral Underwriter (Users)

### ADDITIONAL RESOURCES:

- **User Guide (provides complete list of CU messages)**
- **eLearning Courses**
- **Webinar Registration**
- **FAQs**

<https://www.fanniemae.com/singlefamily/collateral-underwriter>



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# QUESTIONS