Collateral Underwriter Overview
National Association of REALTORS®
January 23, 2015

What Is Collateral Underwriter?

CU is a proprietary appraisal risk assessment application developed by Fannie Mae that performs an automated analysis of appraisals submitted to the Uniform Collateral Data Portal® (UCDP®).

❖ The purpose of Collateral Underwriter is to identify appraisals with heightened risk of property eligibility or policy compliance violations, overvaluation, and appraisal quality issues.

❖ CU leverages an extensive database of property records, market data, and proprietary analytical models to analyze key components of the appraisal.

❖ Results of CU's automated appraisal analysis include the following:

- A comprehensive Risk Score on a scale of 1.0 (lowest risk) to 5.0 (highest risk)

- Risk Flags to identify factors contributing to high risk scores

- Detailed messaging to highlight specific aspects of the appraisal that may warrant further attention

❖ CU results will be returned through UCDP just like our Proprietary Messages today with no registration or additional integration required. A dynamic web interface will also be available to registered lenders.

❖ Fannie Mae utilizes CU as part of our ongoing appraisal quality and collateral risk management efforts.

External distribution of CU is intended to support more proactive management of appraisal quality by empowering lenders to address potential issues prior to loan delivery.

Value & Benefits

CU provides lenders with additional transparency and certainty by providing them access to the same appraisal data and analytics used in Fannie Mae's quality control framework.
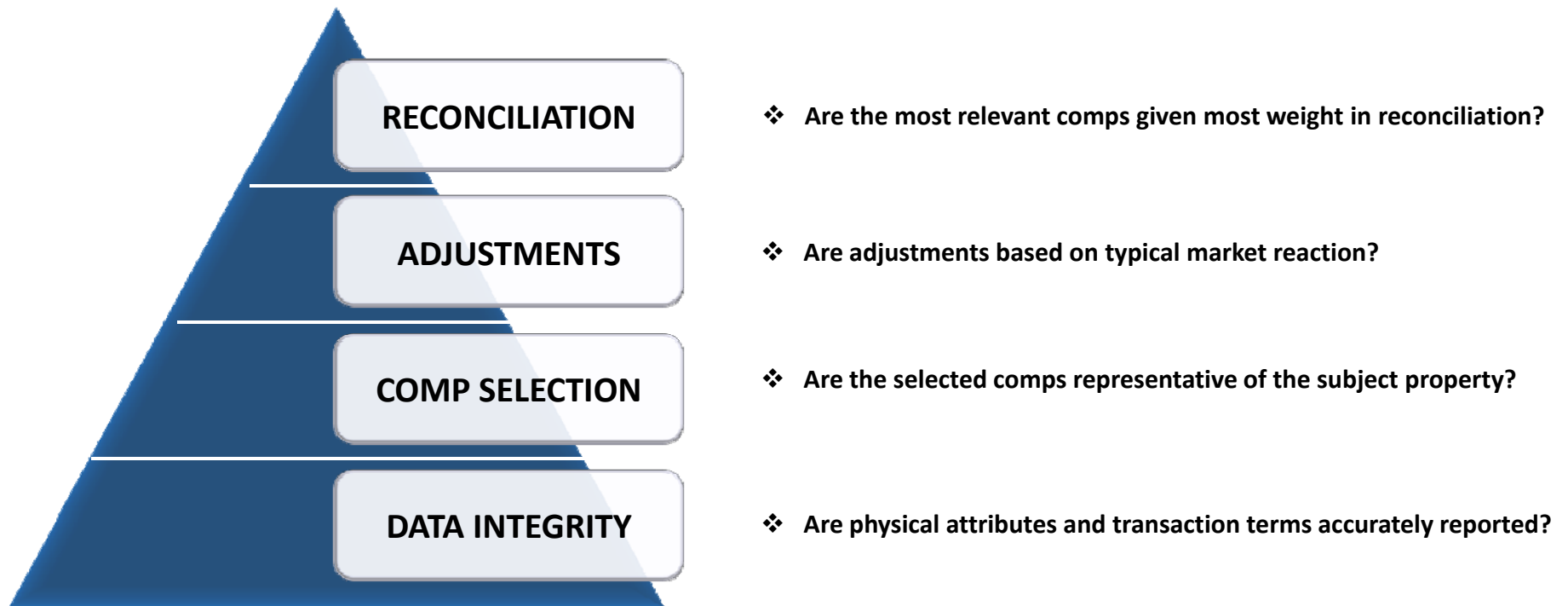
❖ **QUALITY:** Appraisal feedback at point of appraisal submission allows lenders to proactively address potential valuation issues and improve overall manufacturing quality of loans delivered to Fannie Mae.

❖ **EFFICIENCY:** Segmenting appraisals by risk profile facilitates more efficient resource allocation and workflow management. At a transaction level, CU content may also prevent unnecessary correction requests to the appraiser.

❖ **ROBUST DATA & MODEL-DRIVEN RESULTS:** UAD data collected through UCDP provides nationwide coverage, standardized formatting, and up-to-date sales activity. Rather than rely on arbitrary guidelines, Collateral Underwriter produces market-specific, model-driven results.

❖ **DYNAMIC FUNCTIONALITY:** CU's user interface includes comparable sales data, market trends, mapping, aerial photography, public records, and other functionality to assist with manual review of the appraisal..

Fannie Mae will make Collateral Underwriter available at <u>no charge</u> so lenders can take full advantage of the utility for a variety of quality control and risk management purposes.

Key Appraisal Quality Components

In addition to Property Eligibility and Policy Compliance, CU analyzes key appraisal components including data integrity, comparable selection, adjustments, and reconciliation.

RECONCILIATION

❖ **Are the most relevant comps given most weight in reconciliation?**

ADJUSTMENTS

❖ **Are adjustments based on typical market reaction?**

COMP SELECTION

❖ **Are the selected comps representative of the subject property?**

DATA INTEGRITY

❖ **Are physical attributes and transaction terms accurately reported?**

CU is intended to assist lenders in assessing property eligibility and appraisal quality. It does not provide approvals or denials, nor should it be used as the basis for a credit decision

Considerations for Lenders

CU is intended to supplement – not substitute for – lenders' appraisal review processes. Human due diligence is still necessary to determine appropriate course of action with your appraisal.

❖ It is recommended that lenders perform appropriate due diligence on appraisals with high risk scores and/or risk flags, but CU results do not impact the UCDP submission status nor do they preclude loan delivery to Fannie Mae.

❖ CU is effectively predictive of appraisal defects, but there are false positives. Well-informed human judgment should take precedent over automated results. CU is simply a tool to assist with your existing quality control processes.

❖ Lenders may use the CU results to inform conversations with their appraisers but should not make demands or provide instructions to the appraiser based solely on this automated feedback.

❖ Understand the limitations of automated analysis and be aware of potential property or neighborhood nuances. Carefully review the appraisal report before seeking additional clarification from the appraiser based on CU findings.

❖ Lenders do *not* need to have the appraiser address all 20 comps nor is the appraiser required to use only those ranked highest by CU. Note that comps with different rankings may not be all that different nor lead to different conclusions.

❖ High Risk Scores do not necessarily indicate potential over-valuation. They may also identify cases with potential under-valuation or cases where credibility of the report may otherwise be in question.

Lenders may use CU to make fewer – but more informed – requests for clarification from their appraisers. As a result, they should not expect a significant spike in correction requests.

USER INTERFACE PREVIEW

Appraisal Page

The main appraisal page includes a comparable sales map, messaging center, details for the appraiser-provided comparables, and links to additional information and functionality.

Comparable Sales Map

CU Score and Risk Flags

Message Center

Appraiser-provided comparables

Subject and comp characteristics

Comparable Rank

Datappraisal

Datappraisal

The "Datappraisal" displays the results of CU's comparable selection model. Appraiser-provided comparables are ranked along up to 20 model-selected sales in the subject market.

Appraiser-provided and model-selected comps

Sortable Column Headers

Users can select/deselect model comparables

	Type	Address	Age	Lot	GLA	Bd	Bth	Bsmt t	Bsmt f	Pk	C	Q	V	L	Rd	GD	Date	Amount	Model	Rnk
S	AL	XXXX E Mitchell Dr, ANYTOWN, USA 12345	65	7527	1138	2	1	0	0	1	4	4	N	N	2	.	2014-05	$214,000	.	0
MC	AL	XXXX E Mitchell Dr, ANYTOWN, USA 12345	64	7841	1110	2	1	0	0	1	4	5	N	N	3	0.1	2013-10	$115,000	$129,488	1
MC	AL	XXXX E Weldon Ave, ANYTOWN, USA 12345	62	8712	1130	3	1	0	0	1	4	4	N	N	2	0.23	2013-12	$150,000	$149,454	2
MC	AL	XXXX E Clarendon Ave, ANYTOWN, USA 12345	64	7405	1090	2	1	0	0	1	4	4	N	N	2	0.46	2014-04	$145,000	$150,551	3
MC	AL	XXXX E Weldon Ave, ANYTOWN, USA 12345	61	8276	1120	3	1	0	0	1	3	4	N	N	2	0.23	2014-03	$134,000	$124,446	4
MC	AL	XXXX E Flower St, ANYTOWN, USA 12345	66	8712	1120	2	1	0	0	2	3	4	N	N	2	0.69	2014-04	$160,000	$141,441	5
MC	AL	XXXX E Indianola Ave, ANYTOWN, USA 12345	65	7405	940	2	1	0	0	1	3	4	N	N	3	0.3	2014-02	$140,000	$150,243	6
MC	AL	XXXX E Earll Dr, ANYTOWN, USA 12345	73	10454	1200	2	1	0	0	1	3	4	N	N	2	0.5	2013-09	$158,000	$140,529	7
MC	AL	XXXX E Indianola Ave, ANYTOWN, USA 12345	64	6534	1070	2	1	0	0	1	3	4	N	N	2	0.38	2013-06	$130,000	$137,491	8
AS 1	AL	XXXX E Pinchot Ave, ANYTOWN, USA 12345	67	8455	1014	2	1	0	0	0	3	4	N	N	2	0.56	2014-04	$215,000	$224,683	9
MC	AL	XXXX E Amelia Ave, ANYTOWN, USA 12345	64	7841	1140	2	1	0	0	2	3	4	N	N	2	0.8	2013-10	$134,800	$121,247	10
MC	AL	XXXX N 25th St, ANYTOWN, USA 12345	59	7405	1050	2	1	0	0	1	3	4	N	N	2	0.7	2013-10	$163,000	$161,435	11
MC	AL	XXXX N 26th Pl, ANYTOWN, USA 12345	66	7405	1390	3	1	0	0	1	4	4	N	N	2	0.81	2013-11	$124,500	$112,310	12
MC	AL	XXXX E Whitton Ave, ANYTOWN, USA 12345	66	7405	1320	3	1.1	0	0	1	3	4	N	N	2	0.81	2014-04	$150,000	$121,691	13
MC	AL	XXXX E Flower St, ANYTOWN, USA 12345	63	7841	1120	3	1	0	0	1	4	4	N	N	2	1.44	2013-08	$160,000	$161,200	14
MC	AL	XXXX E Catalina Dr, ANYTOWN, USA 12345	67	8276	1090	3	1	0	0	1	3	4	N	N	2	0.57	2013-12	$107,500	$110,037	15
MC	AL	XXXX N 9th Pl, ANYTOWN, USA 12345	67	6534	1170	2	1.1	0	0	1	4	4	N	N	2	1.3	2013-08	$105,000	$108,822	16
MC	AL	XXXX E Indianola Ave, ANYTOWN, USA 12345	64	8276	1060	3	1	0	0	1	3	4	N	N	3	0.6	2013-07	$199,500	$202,366	17
AS 4	AL	XXXX E Cheery Lynn Rd, ANYTOWN, USA 12345	65	7275	1462	3	2	0	0	1	4	4	N	N	2	0.48	2014-03	$234,000	$187,540	18
MC	AL	XXXX E Mariposa St, ANYTOWN, USA 12345	70	7405	1260	3	1	0	0	1	4	4	N	N	3	1.8	2013-12	$142,500	$147,330	19
MC	AL	XXXX E Cheery Lynn Rd, ANYTOWN, USA 12345	73	7841	1140	2	1	0	0	0	3	4	N	N	2	0.42	2013-06	$157,500	$173,925	20
AS 2	AL	XXXX E Mulberry Dr, ANYTOWN, USA 12345	64	7924	1404	3	2	0	0	2	4	4	N	N	2	1.45	2014-04	$225,000	$171,096	37
AS 3	AL	XXXX	67	7854	1492	2	2	0	0	1	4	4	N	N	2	1.41	2014-03	$215,000	$164,014	41
AL 5	AL	XXXX	64	7902	1246	3	1	0	0	1	4	4	N	N	2	0.29	2014-05	$215,000	.	

Tabs: Appraisal | Datappraisal | Subject Appraisal

Configurable Comp Searches

Users can perform comparable searches by defining specific parameters for geographic boundaries, time frames, and physical characteristics.

Users can draw specific geographic areas from which to choose comps.

Users may also set specific parameters for comp physical characteristics and time frame.

Messages

The Message center includes the Collateral Underwriter score, flags and messages in addition to UAD/UCDP edits and remaining Fannie Mae Proprietary Messages.

CU Risk Score and Flags

Detailed data integrity, comp selection, adjustment, and reconciliation messages

| Messages | Property Records | Comments |

- The Collateral Underwriter Risk Score is 5 on a scale of 1 to 5 where 5 indicates highest potential collateral risk.
- There is a heightened risk of appraisal quality issues.
- There is a heightened risk of overvaluation.
- There is 1 adjustment message for this appraisal.
   - 614 - [Comp 1] The condition adjustment is smaller than peer and model adjustments.
- There is 1 comparable selection message for this appraisal.
   - 797 - The appraiser-provided comparables are materially different than the model-selected comparables.
- There are 5 data discrepancy messages for this appraisal.
   - 404 - [Comp 2] The appraiser's reported GLA is different than the GLA reported by other appraisers.
   - 421 - [Comp 3] The appraiser has reported a materially different quality in one or more appraisal reports.
   - 423 - [Comp 3] The appraiser has reported a materially different condition in one or more appraisal reports.
- There is 1 reconciliation message on this appraisal.
   - 505 - The appraised value is above the range of unadjusted comparable sale prices provided by the appraiser.
- There is 1 Fannie Mae Proprietary Message for this appraisal.
- There is 1 UCDP Basic Edit Check for this appraisal.
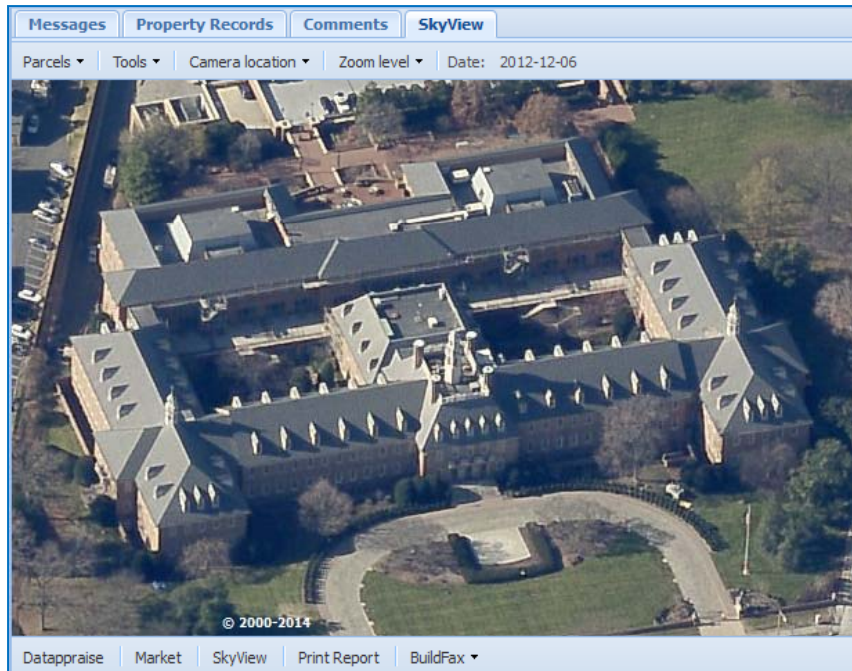- There are 3 UAD Compliance Edits for this appraisal.

UAD/UCDP Edits and FNM Proprietary Messages

Aerial and Street-view Photography

Users can easily access aerial and street-view photography from the appraisal page with a simple point-and-click of the subject or any comparable on Collateral Underwriter's property map.

CU provides a birds-eye view of the subject and comparables. Users can easily move between properties, rotate camera angle, zoom-in/zoom-out, etc.
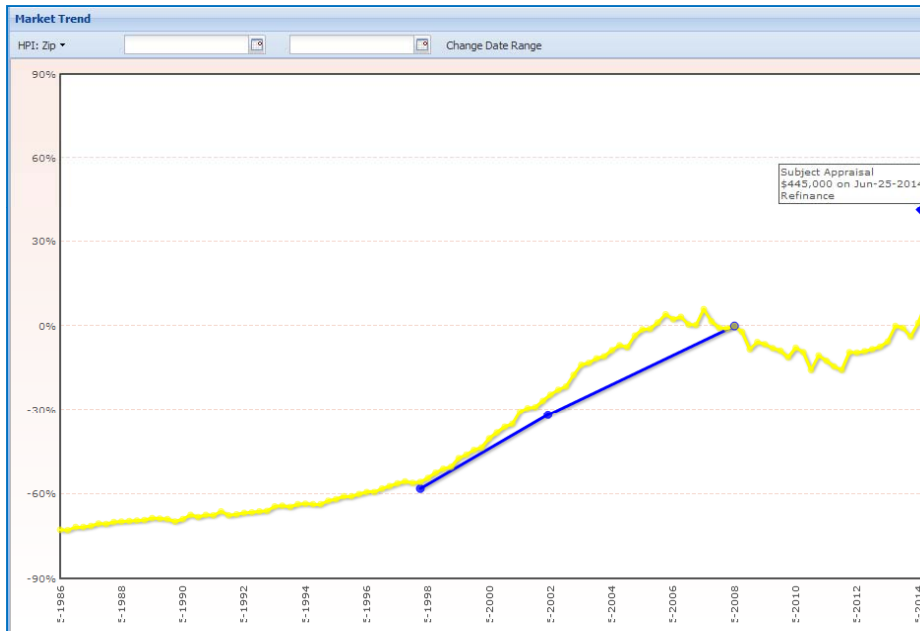
Street view imagery for the subject or any comparable can be accessed through the CU interface.
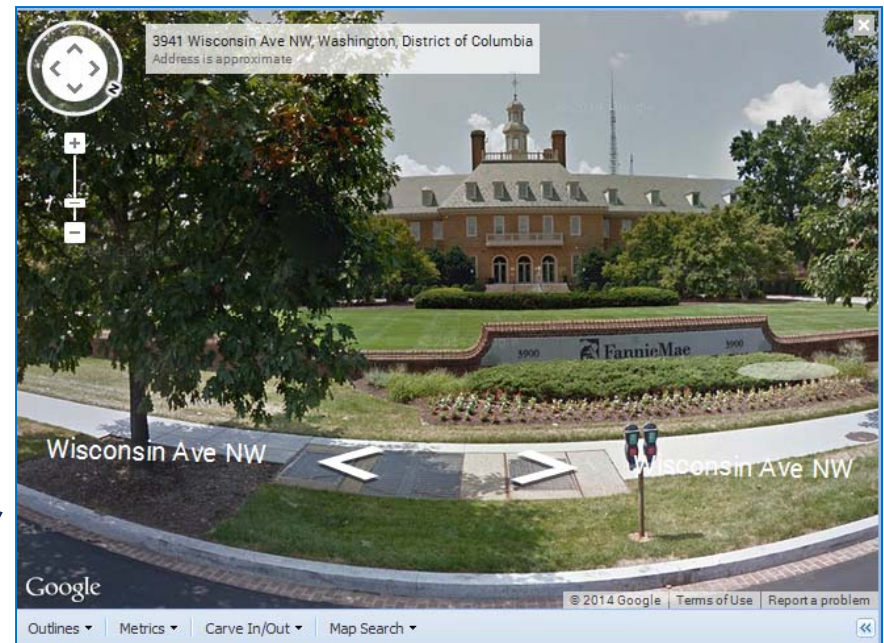
Local Market Trends

Collateral Underwriter's Market Trend and Heat Map functionality provides users detailed insight into local market trends.

The Market Trend function shows market appreciation or decline relative to prior sales of the subject property.

Heat Maps display Census Block Group-level statistics such as median sales price, price/GLA, median days on market, etc.
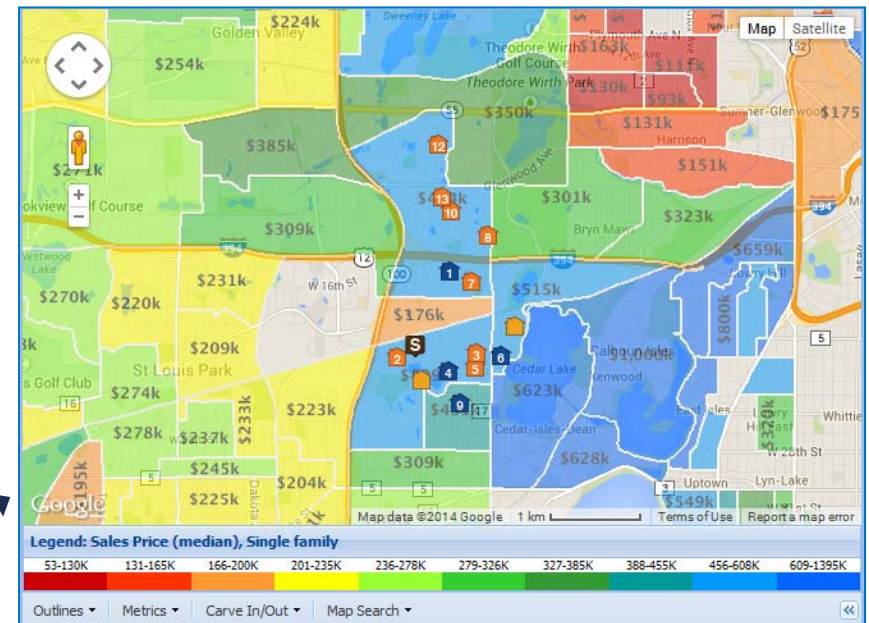
Fannie Mae encourages anyone – lenders, AMCs, appraisers, and Realtors® - with questions about CU to take advantage of our online resources including the Fact Sheet, FAQs, Checkpoint Implementation Tips, and eLearning Courses.

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by Fannie Mae