



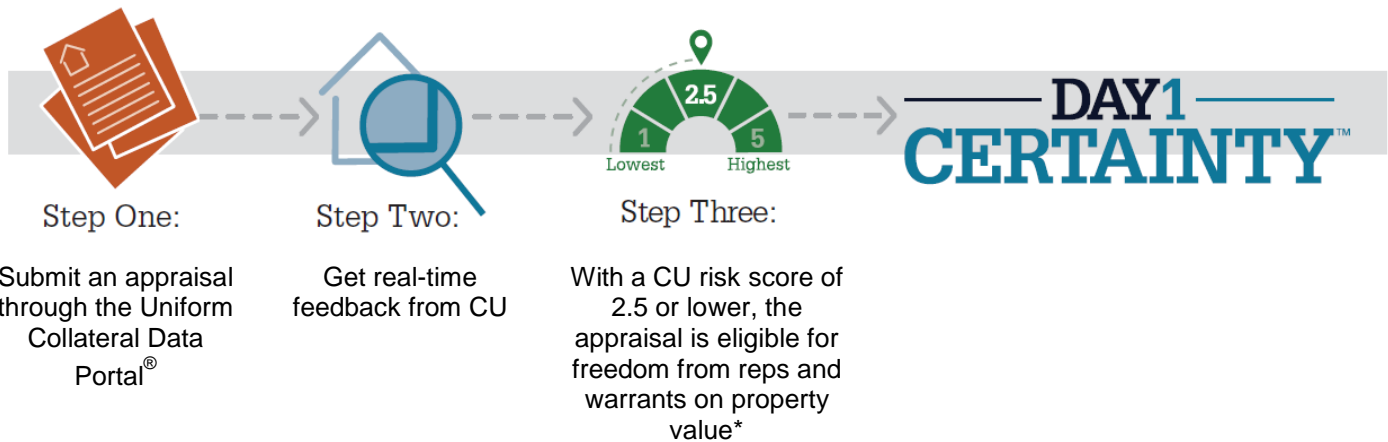
Certainty on Appraised Value

FAQs



Summary

Lenders get freedom from representations and warranties on property value with a Collateral Underwriter® (CU™) risk score of 2.5 or lower. Here's how:



*Must be an eligible transaction with 2.5 or lower CU risk score on final submission. (Must be a one-unit attached, detached, or condo property. The following property types are *not eligible*: two- to four-unit, cooperative, manufactured housing.)

FAQs

Q1. How many appraisals receive a CU risk score of 2.5 or lower?

Approximately 60 percent of appraisals submitted to Fannie Mae through the Uniform Collateral Data Portal® (UCDP®) receive a 2.5 or lower CU risk score. Certain other requirements must be met for the loan to be eligible for rep and warrant relief. See Qs 4 and 5 for additional information.

Q2. Is use of DU required to get freedom from representations and warranties on appraised value?

Effective with CU Version 4.1 (March 25, 2017), eligibility for enforcement relief will be based solely on a CU risk score of 2.5 or below, regardless of underwriting method or Desktop Underwriter® (DU®) recommendation. It is recommended, but not required, that lenders using DU automate this feature using the CU integration with DU, which will trigger a message to tell the lender if the loan appears to be eligible for value rep and warrant relief.

To obtain the CU feedback and rep and warrant messages in DU, lenders must provide the appraisal Doc File ID, Appraisal Value Indicator of "Actual," and Appraised Value in the DU submission.

If the Doc File ID is not provided in DU but the loan meets the other requirements, the lender will still get rep and warrant relief. Lenders can obtain reports in [Fannie Mae Connect™](#) ("**Day 1 Certainty Post-Delivery Report**"; available **February 5, 2017**) showing loans that are eligible for representations and warranties enforcement relief on appraised property value.



Q3. Must the lender be a registered CU user to get relief from reps and warrants on appraised value?

Lenders are not required to use the CU web interface to get the rep and warrant relief on appraised value because the CU risk score is shown in UCDP and, if the Doc File ID is entered, in DU. It is strongly recommended, however, that lenders be registered for the CU web-based application and know how to use it to investigate CU risk scores higher than 2.5 and to confirm the appraisal meets requirements for which the lender is responsible (see Qs 4 and 5). Refer to the [CU web page](#) for information.

Q4. If an appraisal is eligible for rep and warrant enforcement relief with a CU risk score of 2.5 or lower, what responsibilities are lenders relieved of and what do they remain responsible for?

With a CU risk score of 2.5 or lower, the lender is *not responsible* for the following requirements in *Selling Guide B4-1, Appraisal Requirements*:

- underwriting the appraisal report to determine whether the subject property presents adequate collateral for the mortgage;
- ensuring the appraisal accurately reflects the market value of the property;
- ensuring the appraiser used sound reasoning and provided evidence to support the methodology chosen to develop the opinion of value; and
- analyzing the comparable sales used in the appraisal report, including the description, selection, adjustments, and reconciliation of the comparables.

The lender *remains responsible* for the description of the subject property, and the accuracy and completeness of all data on the appraisal that pertains to the property and project (if applicable), other than the appraised value. This includes the subject property's condition and quality ratings (*Selling Guide section B4-1.3-06*).

The lender is also responsible for ensuring the subject property meets the property eligibility requirements in the *Selling Guide*. Lastly, the lender remains responsible for all other representations and warranties on the loan, including any life-of-loan representations and warranties that may apply to the property or the appraisal. To meet these requirements, the lender still must conduct a basic review of the appraisal. For example, the lender must confirm that interior photos of the property support the Quality and Condition ratings on the appraisal. In many cases, CU tools such as Property Records and aerial photos can assist the lender in performing the basic review.

Q5. If an appraisal receives a CU risk score higher than 2.5, may the lender resubmit the appraisal if it is revised?

Yes. When an appraisal receives a CU risk score higher than 2.5, it is recommended that the lender use the CU web-based application to investigate whether there are correctable issues, such as data errors, or concerns with the comparable selection, the adjustments, or the reconciliation that might be the foundation for a conversation with the appraiser. If the appraiser agrees to make corrections, the revised appraisal report can be resubmitted to UCDP. Upon resubmission, CU analyzes the revised appraisal as if it were a new appraisal. Depending on the nature of the revisions, the CU risk score, flags, and messages may or may not change. To obtain rep and warrant relief, the appraisal must get a 2.5 or lower CU risk score on final submission and meet other requirements (see Q4).

Correcting appraisal deficiencies and lowering the risk score can benefit the lender in several ways, including improved rate of value rep and warrant relief, and communication of quality expectations to appraisers leading to fewer issues on future appraisal reports.



Q6. Does DU indicate whether a loan casefile is eligible for property value rep and warrant relief?

For DU loan casefiles, the values entered in DU for the Property Appraised Value and the Property ZIP Code match the information that was submitted to UCDP with the appraisal when the Doc File ID was obtained, and the Doc File ID has been entered, DU will display a message in the DU Underwriting Findings report titled “Representations and Warranties.” When a DU loan casefile is eligible for property value rep and warrant relief, the following message will display:

The following message(s) were issued by Collateral Underwriter:

CU Message ID	CU Message Text
FNM1101	Based on the DU risk assessment and CU results for the appraisal submitted under DocFileID <DocFileID> on <date and time> this loan is eligible for the enforcement relief on representations and warranties related to property value.

When the loan casefile is *not eligible* for rep and warrant relief, this message will display:

The following message(s) were issued by Collateral Underwriter:

CU Message ID	CU Message Text
FNM1102	Based on the DU risk assessment and CU results for the appraisal submitted under DocFileID <DocFileID#> on <mm/dd/yyyy hh:mm> this loan is not eligible for the enforcement relief on representations and warranties related to property value.

Q7. When a loan receives property value rep and warrant relief, what are the lender’s quality control (QC) obligations?

For a loan with property value rep and warrant relief, the standard QC obligations remain in place (see *Selling Guide* [D1-3-04](#)). Relief from enforcement and quality control are two distinct functions. For example, the value may be supported on an appraisal with relief but there may still be technical errors that underwriters and appraisers can learn from.

Q8. If the property is appraised “subject to” completion, repairs, or any other conditions by the appraiser and the appraisal receives a CU risk score of 2.5 or lower, is the lender obligated to obtain a certificate of completion on Form 1004D?

Yes. Any “subject to” conditions in the appraisal report are part of the description of the subject property for which the lender remains responsible (see Q4). Getting a CU risk score of 2.5 or lower does not relieve the lender of the obligation to obtain a certification of completion on the 1004D showing that the repairs or other requirements have been completed. See *Selling Guide* [B4-1.3-06](#), Property Condition and Quality of Construction of the Improvements, and [B4-1.2-03](#), Requirements for Postponed Improvements. If the lender does not fulfill the *Selling Guide* requirements for “subject to” conditions, the loan *would not be eligible* for rep and warrant enforcement relief on property value.