

## Collateral Underwriter (CU) FAQs

Updated December 1, 2014

Collateral Underwriter™ (CU™) is a proprietary appraisal risk assessment application developed by Fannie Mae to support proactive management of appraisal quality. CU is the latest addition to Fannie Mae's suite of risk management tools for lenders, and will be available to them in January 2015. Additional details and training schedules will be provided on the [CU web page](#) as they become available. New questions in this document since the previous version (October 20, 2014) are indicated by New.

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

### Q1. How and when will CU be available?

CU will be available in two ways:

1) Starting on January 26, 2015, CU risk scores, flags, and messages will be provided in real time after an appraisal is submitted to Fannie Mae through the Uniform Collateral Data Portal® (UCDP®). The CU risk scores and messages will be provided on the Fannie Mae tab and the UCDP Submission Summary Reports. Any UCDP user who submits an appraisal to Fannie Mae will have access to the CU risk scores, flags, and messages.

2) For in-depth appraisal analysis, CU will be available to Fannie Mae sellers via a web-based application (registration required) starting January 26, 2015. Correspondents will also have access to the web-based application in 2015, but on a different timeline from approved seller availability.

Other UCDP users that are not Fannie Mae sellers or correspondents – including appraisal management companies (AMCs) that have UCDP access as lender agents – will be able to view the CU risk scores, flags, and messages in UCDP but will not have access to the web-based application.

### Q2. Will technology integration be required to use CU?

The CU web-based user interface will be accessed through a URL with *no* technology integration required.

CU risk scores, flags, and messages will be provided on the Fannie Mae tab in UCDP. Users that access UCDP through a vendor service should ask their vendor to confirm plans for updating the UCDP integration. Fannie Mae is working with solution vendors to help them prepare for CU implementation. It is expected that all vendor integrations will be able to return CU risk scores, flags, and messages in UCDP the same way they currently return Fannie Mae Proprietary Messages.

### Q3. Will there be a fee for CU?

No. Fannie Mae developed CU with the primary objective of improving appraisal quality and collateral risk management for Fannie Mae and its lender partners. To help lenders more effectively and efficiently identify issues with appraisals, we will make CU available at no cost as one more value-add risk assessment tool for our lenders.

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**Q4. Will use of CU provide any waiver of selling representations and warranties, similar to the limited waiver of representations and warranties offered with use of Desktop Underwriter® (DU®)?**

Fannie Mae is not currently offering representation and warranty relief with the use of CU. However, CU will be integrated with DU in the first half of 2015 to give lenders a more holistic view of risk by displaying the CU risk scores, flags, and messages in DU. The integration will provide a foundation for future rep and warrant relief on property value. Fannie Mae is working with our regulator, FHFA, on details and timing, and we will provide more information as it becomes available.

**Q5. Is use of CU mandatory for Fannie Mae sellers?**

Fannie Mae strongly encourages lenders to utilize the CU risk scores, flags, and messages provided upon submission of an appraisal to UCDP, and to access the web-based application for in-depth analysis, but use of CU is not required. Review the available training and other resources for more information about the benefits of the CU feedback.

**Q6. What is meant by a “CU risk score”?**

CU will provide a numerical risk score from 1.0 to 5.0, with 1 indicating the lowest risk and 5 indicating the highest risk. Risk flags and messages identify risk factors and specific aspects of the appraisal that may require further attention. Details are available in the eLearning course [Understanding the Collateral Underwriter Risk Score, Flags, and Messages](#).

**Q7. New How much geographic coverage does CU provide?**

CU is able to score about 97 percent of appraisals submitted from the 50 U.S. states and the District of Columbia. Properties in the U.S. territories cannot be analyzed. The majority of unscored appraisals (“999” messages) are due to geocoding limitations.

**Q8. Are there appraisals that will not receive a CU risk score?**

Yes. Coverage may vary slightly from market to market, but CU is able to score approximately 97% of appraisal submissions nationwide. The primary reason for unscored appraisals is an inability to geocode the subject property or an inadequate number of appraiser-provided comparables. Rarely is a lack of alternative sales observations the cause of an unscored (“999”) appraisal. Currently, CU is unable to geocode properties in the U.S. territories (Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands). In some cases, CU may be unable to geocode new construction because the address is new and not yet recognized by the geocoding service.

CU analyzes appraisals in UAD format on appraisal forms 1004 (Uniform Residential Appraisal Report) and 1073 (Individual Condominium Unit Appraisal Report). Appraisals submitted on other forms, including the following, are not analyzed: Form 2055, Exterior-Only Inspection Residential Appraisal Report; Form 1075, Exterior-Only Inspection Individual Condominium Unit Appraisal Report; Form 1004C, Manufactured Home Appraisal Report; Form 1025, Small Residential Income Property Appraisal Report; Form 2090, Individual Cooperative Interest Appraisal Report; and Form 2095, Exterior-Only Inspection Individual Cooperative Interest Appraisal Report.

When CU is unable to provide a risk score, a message to that effect will be displayed (details of CU messages will be available in scores and messages training and in job aids such as the CU User Guide).

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**Q9. New How does CU handle new construction?**

CU does not treat new construction any differently than existing properties. Appraiser-provided comparables are ranked against a pool of alternative sales identified by the model based on a combination of physical features, location, and date of sale. The significance of each factor or property characteristic is model-derived market-specific. If other nearby new construction sales are available, they will be considered for inclusion in the comparable pool, but CU will not select alternative sales simply because they are new construction. Location, date of sale, and physical features such as square footage, lot size, bathrooms, quality, view, etc. are also considered.

**Q10. New How does CU handle properties in rural locations?**

In rural areas, it may be necessary for the appraiser to select sales from a greater distance and further back in time than in areas with higher sales density and more homogeneous housing stock. CU compares the appraiser-provided comps against a pool of observed sales transactions in the subject market and not against arbitrary, “rule of thumb” guidelines. CU will not provide a high risk score solely because the comparables are dated, located several miles away, or require significant adjustment from the appraiser. If CU’s comparable selection model finds the appraiser-provided comparables to be the best available, the appraisal will likely receive a low risk score if no other potential issues are detected.

**Q11. How are the CU risk scores, flags, and messages different from the current Fannie Mae Proprietary Messages in UCDP?**

The Fannie Mae Proprietary Messages in UCDP are rules-based alerts focused on data reasonableness, property eligibility and policy compliance. CU is model-based and performs a more comprehensive analysis of data integrity, comparable selection, adjustments, and reconciliation.

**Q12. Is there an interconnection between the current Fannie Mae Proprietary Messages in UCDP and the CU risk scores, flags, and messages?**

All but 35 of the current Fannie Mae Proprietary Messages in UCDP will be retired in December 2014.

Fannie Mae previously [announced](#) that the severity status for 21 Fannie Mae Proprietary Messages in UCDP will be modified in January 2015 from a warning message that is automatically overridden to a hard stop that will require a manual override or the submission of a corrected appraisal in UCDP. Although there is a very small failure rate for those 21 items, when a hard stop is issued on one of them, it will also impact the Property Eligibility/Policy Compliance risk flag and trigger an elevated CU risk score. Also note that a hard stop on one of these 21 items could result in a difference in the UCDP submission status between the GSEs (Fannie Mae and Freddie Mac). These hard stops will cause a Not Successful submission status in UCDP until a manual override is provided. Note that entering an override reason in UCDP will not clear the Property Eligibility/Compliance risk flag in CU, nor will it lower the CU risk score.

**Q13. The CU risk scores, flags, and messages will be added to the Fannie Mae tab and included on the Submission Summary Report (SSR). Unlike some UCDP and Fannie Mae Proprietary Messages that require action, CU messages do not need to be cleared – they simply highlight aspects of the appraisal that may require further attention. Will the CU risk score impact the “Successful” submission status of the appraisal in UCDP?**

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Except for the 21 hard stop messages (see Q10), the CU risk scores, flags, and messages will provide independent feedback on the appraisal for the submitter's consideration, and will not impact the submission status in UCDP.

**Q14. Are appraisals rescored when resubmitted to UCDP with corrections?**

Yes. 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.

Note, however, that use of a manual override to clear a hard stop in UCDP would not result in any changes to the CU risk score.

**Q15. What should lenders do if they see different results between the CU risk score and results from other appraisal review tools?**

Fannie Mae is making CU available for our lenders to use independently or in conjunction with other tools they deem appropriate for their business process. Lenders that deliver loans to Fannie Mae are responsible for reviewing appraisals to confirm that they meet our policy guidelines, and must make their own decisions about review tools that meet their business needs and how to utilize the results.

**Q16. How should lenders prepare for CU implementation?**

Keep in mind that to take advantage of CU feedback and incorporate it into the review process, lenders must submit appraisals to UCDP prior to appraisal review.

Lenders who access UCDP through a vendor service may wish to ask their vendor to confirm plans for updating the UCDP integration. Fannie Mae is working with solution vendors to help them prepare for CU implementation. It is expected that all vendor integrations will be able to return the CU risk scores, flags, and messages in UCDP the same way they currently return Fannie Mae Proprietary Messages.

Take advantage of the CU live webinars and recorded tutorials (see Training on the [CU web page](#) and/or contact your Fannie Mae customer account team for assistance) to plan implementation steps.

**Q17. May a lender share access credentials for UCDP and/or CU with a trusted service provider?**

No. For data security and business reasons, Fannie Mae technology usage terms do not allow lenders to share technology application credentials with third parties.

**Q18. When will CU training and additional details be available?**

Training information and other implementation details are being provided on an ongoing basis, including live and recorded trainings, job aids, FAQs, and other resources to support implementation and use of CU (see the [CU web page](#)).

**Q19. Is Fannie Mae providing information about CU to appraisers and AMCs?**

Fannie Mae's appraisal policy and strategy teams regularly communicate with the appraisal community through participation in industry events and outreach to key industry groups. Information about our efforts to improve appraisal quality has been shared with the appraisal industry for the past few years, dating back to 2008 when we initiated appraisal data

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standardization efforts. Information about CU is being provided to the appraisal community in the fourth quarter of 2014.

Fannie Mae invites appraisers and AMCs to leverage our training resources to learn more about CU.

**Q20. New Will appraisers have access to CU?**

No, appraisers will not have access to CU. CU was developed as an appraisal review tool for internal analysis and is now being made available to Fannie Mae lenders for review of appraisals they have submitted through UCDP. CU will review an appraisal only after it is submitted to UCDP, which then triggers the model that includes appraisal data to perform an analysis. CU does not function as an independent property database that allows users to enter an address and receive associated data.

Appraisers are welcome to use the resources on the CU web page, including viewing the recorded on-demand trainings:

- *Introduction to Collateral Underwriter* provides basic information about CU's features, including screenshots.
- *Understanding the CU Risk Score, Flags, and Messages* provides information to help lenders use the CU feedback in their appraisal review process.

Additional training and a *CU User Guide* will be posted beginning in January 2015.

**Q21. New Will the use of CU as an appraisal review tool by Fannie Mae lenders result in more work for appraisers, who may be asked to make changes based on the CU feedback?**

Fannie Mae's current requirements and expectations for lenders are not fundamentally changing. The Fannie Mae *Selling Guide* states in [Section B4-1.1-02: Lender Responsibilities](#), that the lender is responsible for (among other requirements): "ensuring the appraiser has utilized sound reasoning and provided evidence to support the methodology chosen to develop the value opinion, particularly in cases that are not covered by Fannie Mae policy..." In the process of underwriting the appraisal, lenders should ask appraisers to provide any clarifications or updates required to satisfy the lender that Fannie Mae's requirements are met.

A number of appraisal review tools are currently available in the market and in use by lenders. Appraisers also have access to much of the market data used in the course of appraisal review and can reasonably be expected to anticipate many questions that might arise, and address them proactively in comments on the appraisal report. Appraisers that make a good faith effort to use the most similar comparables, provide accurate and consistent data, and support their adjustments with market data and analysis can generally expect a minimum of CU feedback that would cause a follow-up request from the reviewer. CU's analysis may in some cases help the lenders' appraisal reviewers better understand the appraiser's rationale and possibly reduce back and forth between the lender and the appraiser.

**Q22. New Will Fannie Mae purchase loans that receive high CU risk scores and/or risk flags?**

Yes. High CU risk scores can be considered warnings, but do not preclude lender delivery of the loan to Fannie Mae. It is highly recommended, however, that lenders perform appropriate due diligence on appraisals with high CU risk scores and/or risk flags prior to loan delivery.