Fannie Mae Update
July 30, 2018
Disclaimer

While every effort has been made to ensure the reliability of the session content, Fannie Mae’s *Selling* and *Servicing Guides* and their updates, including *Guide* Announcements and Release Notes, are the official statements of Fannie Mae’s policies and procedures and control in the event of discrepancies between the information in this seminar and the *Guides*.
Objectives

• Team Structure
• 2018 Policy Changes
• Appraisal Waivers
• Industry Engagement
• Evolution of Appraisals
• UAD / Forms Redesign
• Modernization
• Recommendations
• Questions
Collateral Policy & Strategy Team

Our mission is to leverage data, analytics, and policy to inform and effectively manage Fannie Mae’s collateral risk while providing a more simple and certain customer experience.

Policy & Consultation
- Property Eligibility
- Appraisal Requirements
- Project Standards
- Variance/Waiver Support
- Duty To Serve

Quality Control
- File Selection Strategy
- Defect Reporting
- Appraisal Quality
- Monitoring Oversight
- Lender Quality Monitoring
- Appraisal & Market Trends

Engagement
- Industry Partnerships
- Education & Outreach
- Customer Delivery Team
- Communication
- Partnership with Marketing Team

Technology & Innovation
- Collateral Underwriter®
- Day 1 Certainty®
- Appraisal Process Modernization
- UAD / Forms Redesign
Organization Updates

Lyle Radke
Director of Collateral Policy & Strategy

Jeremy Staudenmaier
Manager of Collateral Policy

Julie Jones
Manager of Collateral Strategy

Tim Staudenmaier
Manager of Technology & Innovation

A team structure that aligns with our strategic goals and objectives
2018 POLICY UPDATES
Recent Policy Changes – Second Appraisals

Previous Language
The lender may forego either type of review and obtain a new appraisal. When a review appraisal or new appraisal is obtained, the lender must use the opinion of market value as stated in the review or new appraisal because the lender has, at that point in time, rejected the original appraisal.

Updated Language
The lender may forego either type of review and obtain a new appraisal. When a new appraisal is obtained, the lender must document the deficiencies that are the basis for ordering the new appraisal and adhere to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value. The lender must either document the resolution of the noted deficiencies in the original appraisal or detail the reasons for relying on a second opinion of market value.

B4-1.3-12: Quality Assurance (01/30/2018)
Recent Policy Changes – Field Reviews for Values $1M+

Updated Policy
Previously, a field review report was required on properties valued at $1,000,000 or more when the LTV, CLTV, or HCLTV ratio was greater than 75%.

Advancements in tools, such as Collateral Underwriter, provide the data and analytics needed to reduce borrowers’ costs and improve lenders’ operational efficiencies while still effectively managing risk. As such, the field review requirement has been removed.

B5-1-01, High-Balance Mortgage Loan Eligibility and Underwriting (01/30/2018)
Manufactured Homes with Additions

Our current policy requires that when a manufactured home has an addition or a structural modification and is not located in a state with an agency responsible for inspecting these modifications, then the property must be inspected by a licensed professional engineer. The engineer must certify that the addition or structural change was completed in accordance with the HUD Manufactured Home Construction Safety Standards.

The new policy will require that if the state does not have an inspection requirement, then the structural modification must be inspected and the structural modifications be deemed structurally sound by a third party who is regulated by the state and is qualified to make the determination. In all cases, the satisfactory inspection report must be retained in the mortgage loan file.

B2-3-02, Special Property Eligibility and Underwriting Considerations, Factory-Built Housing
MH Advantage™

An innovative new homeownership option that pairs affordable financing with specially designated manufactured housing having characteristics typical of site-built homes.
MH Advantage – Physical Features

Examples of the physical characteristics for MH Advantage include:

Specific architectural and aesthetic features such as distinctive roof treatments (eaves and higher pitch roofline), lower profile foundation, garages or carports, porches, and dormers.

Construction elements including durability features, such as durable siding materials.

Energy efficiency standards (minimum energy ratings apply).
MH Advantage – Appraisal Documentation Requirements

- Appraiser must still use at least two manufactured home sales.
- Photos of sidewalk, driveway, and MH Advantage sticker.
- All other MH appraisal requirements still apply.

Mortgage Financing Notice

The manufacturer of this home—identified on its HUD certificate—has determined that its features as of the date of manufacture are consistent with the eligibility requirements of MH Advantage™, a manufactured housing mortgage loan initiative of Fannie Mae®. To qualify for MH Advantage, the borrower must also meet certain eligibility requirements, and the home must be installed on land owned by the borrower.

Homeowner:
Do not remove or damage this sticker, as it is required to identify this home for participation in the MH Advantage initiative for purchase or refinancing. This notice is not an assurance of the availability of, or your qualification for, mortgage financing for this home.

For more information please visit: www.FannieMae.com/MH

Identification Number: XXXXXXXX

© 2018 Fannie Mae. Trademarks of Fannie Mae.
APPRAISAL WAIVERS
Appraisal Waiver Process

DU File Submission
DU Eligibility Checks
CU Eligibility Analysis
Appraisal Waiver Offer

EXCLUDES:
- Estimated Value in DU (Refinance)
- Contract Price in DU (Purchase)
- Two-to-Four Family Properties
- Manufactured Homes
- Cooperatives
- Leasehold or Deed Restriction
- New Construction
- Construction to Permanent
- Value Estimates >$1M
- Gift of Equity
- Renovation Loans
- Not DU Approve/Eligible
- Appraisal Submitted through UCDP®

- Presence of Prior Appraisal
- Age of Prior Appraisal
- Risk Assessment of Prior Appraisal
- CU Market Assessment
- LTV / Occupancy Matrix
- Disaster Area
  - If prior appraisal is dated after disaster, appraisal waiver may be offered.

- Message Sent thru DU to lender
- If exercised, Loan Delivery system checks for PIW message on last DU submission
### Q1 2018 Appraisal Waiver Offer & Execution Rate Estimates

<table>
<thead>
<tr>
<th>Loan Purpose</th>
<th>Offer % of Loan Purpose</th>
<th>% of Total SF Loan Deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMM</td>
<td>&lt;5%</td>
<td>1%</td>
</tr>
<tr>
<td>LCOR</td>
<td>&lt;20%</td>
<td>&lt;6.5%</td>
</tr>
<tr>
<td>COR</td>
<td>&lt;10%</td>
<td>&lt;2.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>&lt;10%</td>
</tr>
</tbody>
</table>

- Offer and execution rates are trending slightly upward for purchase transactions.
- Offer rates on refinance have decreased, execution rates are stable.
- Higher execution rates in states with higher loan volume.
INDUSTRY ENGAGEMENT
2018 Engagement Update

- Newsletter has exceeded 12,000 subscribers
- Appraiser-direct webinars
- Increased focus on rural appraisal concerns
- Dedicated appraiser engagement mailbox
- Addition of ‘Contact Us’ form
- Upcoming eLearning modules
- More FAQs and appraiser resources in Q4 2018
- Partnership with a national non-profit to attract new entrants
‘Contact Us’ Form Feedback

- **Appraisers**: 76%
- **Lender/AMC**: 19%
- **Consumer**: 5%

**Roles**

- Dedicated resources responding to questions and comments
- Follow-up within 48 hours
‘Contact Us’ Form Feedback cont’d.

Topics

- Policy Questions: 68%
- Scorecard Feedback: 43%
- Comments: 17%

- 1004D
- Accessory Dwelling Units
- Use of Appraiser Trainees
THE EVOLUTION OF APPRAISALS
Appraisal Data Evolution

- **Data Standardization**: The Uniform Appraisal Dataset (UAD) standardized critical data points on the appraisal, facilitating appraisal analytics and messaging.

- **Electronic Data Capture**: The Uniform Collateral Data Portal® (UCDP®) has collected over 30 million appraisals records to date.

- **Real-Time Feedback**: Our first generation of appraisal feedback included rules-based messaging focused on data reasonableness, property eligibility and policy compliance.

- **Sophisticated Analytics**: Along with extensive human due diligence, Collateral Underwriter has been used to inform Fannie Mae’s post-acquisition QC process since 2013.

- **Lender Availability**: Availability of CU feedback through UCDP and roll-out of the CU web interface began in January 2015.

- **Appraisal Sharing**: In 2016, correspondent lenders were enabled to share appraisals with aggregators in UCDP and aggregators were enabled to view the full results of shared appraisals in CU. In late 2017, our MI-partners were enabled to receive limited access to CU with loan-level details provided by the lender.

- **Day 1 Certainty**: Introduced in late 2016, offering our customers rep and warrants relief on property value for eligible loans.

What does the future of appraisal look like?
2018 SCORECARD FOR FANNIE MAE, FREDDIE MAC, AND COMMON SECURITIZATION SOLUTIONS

December 2017

Link to Online FHFA Scorecard
UAD & FORMS REDESIGN
UAD & Forms Redesign Summary

• Initiative is a multi-year project
• Joint effort between both Fannie Mae and Freddie Mac
• Leverages extensive stakeholder input to update the appraisal dataset
• Will align with the latest industry-standard MISMO®
• Overhaul of the uniform appraisal forms to establish a more flexible, dynamic structure for appraisal reporting
• Designed to provide greater clarity to lenders, borrowers, and investors
• Currently in discovery phase, holding key stakeholder feedback sessions
• Broader industry outreach in 2019
APPRAISAL PROCESS MODERNIZATION
Appraisal Modernization – Our Vision

• Current process is rigid, forms-driven, and provides limited market insights

• Ideal future state is dynamic, data-driven, and transparent

• Goal is to align valuation scope with credit risk and property complexity, which may include a bifurcated appraisal process

• Multiple concepts being tested, which may or may not be feasible

A data-centric approach where analytics and technology are embedded in the valuation process
RECOMMENDATIONS
How to Survive Change
...You Didn’t Ask For

1. Accept the Change

2. Expand Your Options

3. Take Action

4. Strengthen Adaptability

CHANGE CAN BE A GOOD THING

(LET ME TELL YOU WHY)
ANNOUNCEMENT
Recommendations for Appraisers

Be Nimble
Your ability to embrace change, be adaptable, and to learn new technologies may increase the transparency of your appraisal results and improve process efficiencies.

Keep Yourself Informed
Use resources like the Appraiser page and Selling Guide to stay current on the most recent policy changes.

Make Your Voice Heard
Provide constructive feedback through appraiser trade groups or directly to Fannie Mae.
QUESTIONS