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First HVCC, then MC1004, then UAD, now CU - When will the acronyms cease?

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As of 1/26/15, Collateral Underwriter (CU) is now a fact in the marketplace. What is it? It's a "proprietary appraisal risk assessment application developed by Fannie Mae to support proactive management of appraisal quality."

First HVCC, then MC1004, then UAD, now CU. When will this avalanche of acronyms cease?

Q. So, what is CU and who can use it?

A. CU is the latest addition to Fannie Mae's "comprehensive suite of risk management tools available to lenders."

Q. How does it work?

A. CU performs an "automated risk assessment of appraisals submitted to the Uniform Collateral Data Portal (UCDP) and returns a risk score, flags, and messages to the submitting lender" CU does not provide an estimate of value to the lender. CU provides a risk score from 1 - 5 (1-lowest risk & 5, highest).

Q. How can appraisers use CU?

A. They can't (at least not now), it's for lenders. CU will provide "additional transparency and certainty by giving lenders access to the same appraisal analytics used in Fannie Mae's quality control process."

Q. How does it work?

A. CU "leverages an extensive database of property records, market data, and proprietary analytical models to analyze key components of the appraisal including data integrity, comparable selection, adjustments, and reconciliation."

Q. When and how will it be implemented?

A. CU will be "integrated" with DU in the first half of 2015 to "give lenders a holistic view of risk."

Q. How do lenders gain access to CU?

A. Fannie Mae will make CU available at no charge so lenders can take full advantage of the application for quality control and risk management purposes. Fannie Mae will provide access to the web interface for Fannie Mae Sellers and their correspondent customers to support in-depth appraisal analysis.

Q. What role do appraisers play in the CU process?

A. None. Appraisers have been submitting UAD compliant appraisals into the Fannie Mae system for some time now. Apparently, there is enough data in the system to allow for implementation of the CU system to manage appraisal, property, and management risk.

Q. How will lenders use CU?

A. Lenders may use the CU risk score to "segment appraisals by risk profile, resulting in more efficient resource allocation, workflow management, and collateral risk management processes."

Q. What is a CU risk score?

This score will give the lender clear guidance in terms of valuation risk, property risk, and other factors related to the collateral portion of a loan. CU provides a risk score from 1 - 5 (1-lowest risk & 5, highest).

Q. How will this affect appraisals?

A. Risk flags identify appraisals with heightened risk of quality issues, overvaluation, and property eligibility or policy compliance violations.

Q. What level of detail does CU provide?

A. Detailed messaging directs reviewers to specific aspects of the appraisal report that may warrant further attention.

Q. Using CU, how can lenders provide better appraisal risk management?

A. Lenders can perform in-depth analysis using CU's dynamic web-based interface that includes comparable sales data, market trends, mapping, aerial photography, public records, and other functionality to assist with manual review of the appraisal.

Q. Does this affect residential appraisers, commercial appraisers, or both?

A. CU affects only residential appraisers submitting appraisal to Fannie Mae and related entities.

Q. Will appraisers be happy about CU?

A. Probably not. Residential appraisers haven't been happy about very much since about 2006. This is the next evolution of the data harvesting that has taken place as a result of UAD.

Q. Is this a sea change to the appraisal process?

A. No, but it will force a change in the way appraisals will be viewed and reviewed in the lending environment.

Q. By the way, did you know the following?

The Uniform Appraisal Dataset (UAD) "standardized critical data points on the appraisal. Electronic Data Capture: UCDCP has collected over 12 million appraisals and nearly 20 million transactions to date."

Q. Is this a change for the better?

A. Depends. On the lending side, it seems to represent an inevitable progression. For appraisers, it simply puts more scrutiny on issues that residential appraisers have been forced into facing after several housing crises, since change was not forthcoming from within the community.

Q. Is this further oppression of the profession or is this the beginning of a legitimate movement towards greater transparency and a breakthrough in appraisal data and analysis?

A. Maybe we don't have to decide; it's been decided for us while we weren't in the room.

[Quoted material from www.fanniemae.com/content/announcement/111502.pdf & https://www.fanniemae.com/content/fact_sheet/collateral-underwriter-fact-sheet.pdf]

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