



Fannie Mae Policy Updates

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Fannie Mae Single-Family Collateral Risk

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Agenda

Intro to Fannie Mae

- Importance of Appraisals
- Challenges
- Adoption by Reference

Recent Appraisal Initiatives

- ANSI standard (Z765-2021)
- Desktop and Hybrid Appraisals
- UAD update
- Appraisal Quality Monitoring (AQM)

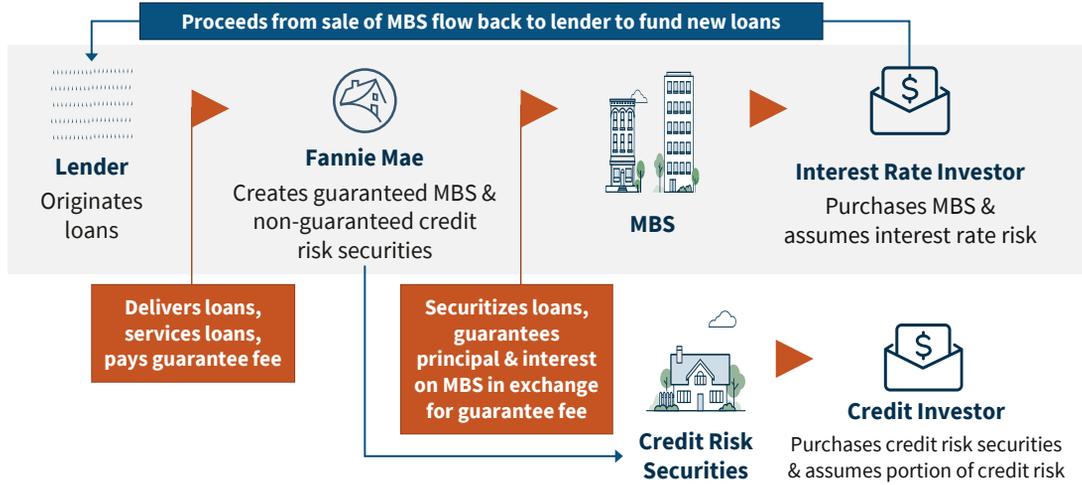
Q&A

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Secondary market

Providing liquidity to the housing market and investment options to investors.



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Importance of Value

Loan to value ratio (LTV) is a fundamental driver of our business

Risk managements is our cornerstone



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Why Modernize Appraisals

Credentials and the established appraisal process are insufficient mechanisms.

- Opinion is more vulnerable to dispute than fact
- Accuracy is hard to measure
- Appraisal results sometimes lack consistency and reproducibility
- Lack of certainty leads to burdensome quality control processes

Fannie Mae appraisal policies aim to increase accuracy and reliability.

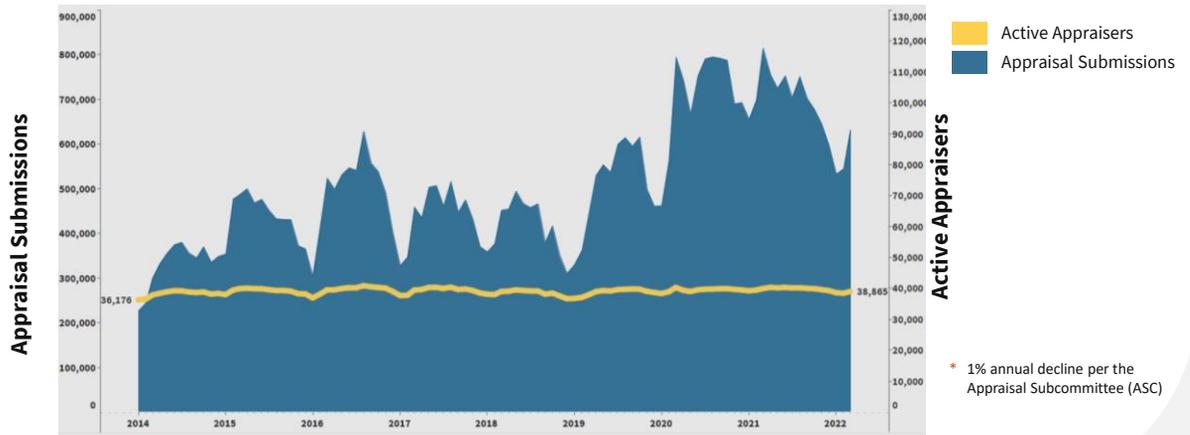
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Appraisal Supply and Demand

Uniform Collateral Data Portal® (UCDP®) appraisal submission volume (demand) has increased steadily over the last decade reaching record highs this spring, while the number of active appraisers (supply) has gradually declined at about 1% per year*.



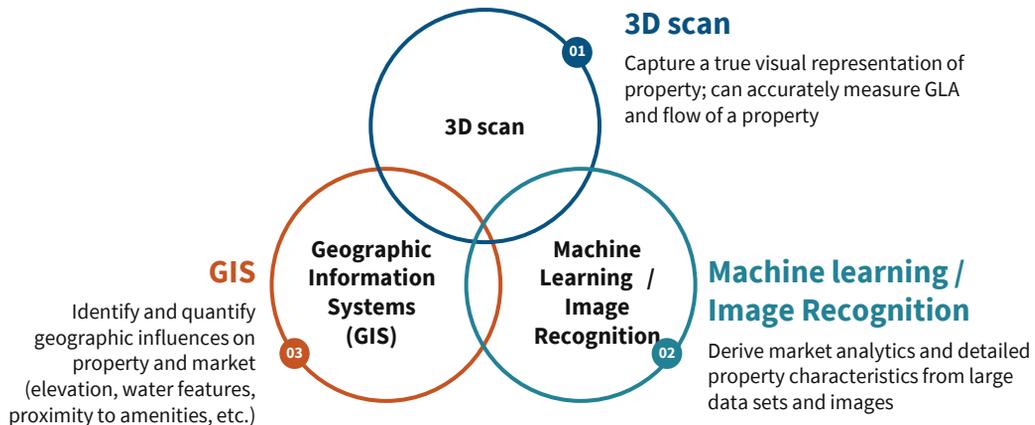
* 1% annual decline per the Appraisal Subcommittee (ASC)

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New Technology in Valuation

Combining multiple technologies can change how we analyze data, quantify market reaction, and manage collateral risk.



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Standards Adopted by Reference

The process of adopting standards created by industry experts.

Adoption by reference enables industry-maintained guidelines to be in place while also updated by industry needs.

Our *Selling Guide* incorporates several industry standards by reference:

- Appraiser Independence Requirements (AIR)
- ANSI standard Z765-2021 (sq ft)
- Uniform Appraisal Dataset (UAD)
- Uniform Standards of Professional Appraisal Practice (USPAP)

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Recent Appraisal Initiatives

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In case you missed it ...

- The December 15, 2021, *Selling Guide* update adopts the ANSI standard (Z765-2021) square footage method to measure, calculate, and report GLA and non-GLA areas of subject properties.
- We require appraisers to comply with the ANSI standard for appraisals with effective dates on or after **April 1, 2022**.
- If adherence to the standard is not possible, there is an exception process.

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Benefits of a Universal Standard

What's in it for you?

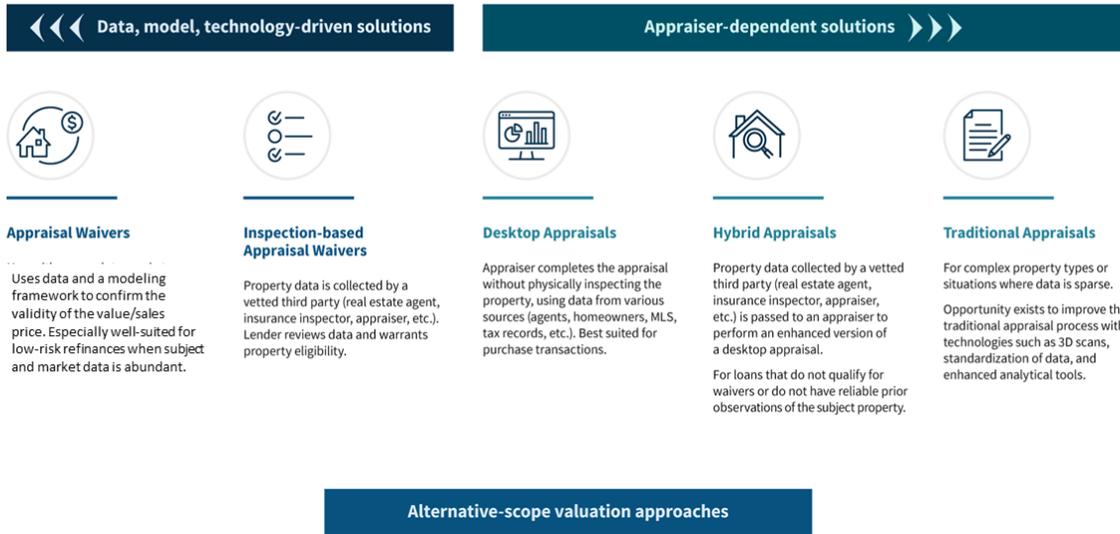
- Creates alignment across multiple professions and sources
- Consumer protection and reduction of potential bias
- Transparent and repeatable for the appraisal report reader
- Professional and defensible for the appraiser
- Consistent unit of comparison for transactional data
- Higher confidence risk management and valuation modeling

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The Modern Valuation Spectrum



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Desktop Appraisals

Program introduction

Leveraging the wealth of data, the power of advanced analytics, and the speed of technology, appraisers can perform desktop appraisals without physically inspecting the property.

The latest innovation for valuation modernization efforts:

- Increases appraisal process flexibility and speed
- Reduces the potential for appraiser bias
- Alleviates appraiser capacity issues

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Desktop Appraisal Benefits

- ✔ Supports digital transformation in the mortgage origination process.
- ✔ Cost- and time-efficient process benefits borrowers and lenders.
- ✔ Reduces confirmation bias.
- ✔ Mitigates appraiser capacity constraints.
- ✔ Rigorous testing shows similar risk performance compared to traditional appraisals.
- ✔ Improves disaster / pandemic response time.

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Appraisal Assignment Type

Policy Details: *Selling Guide* B4-1.2-02, Desktop Appraisals

Uniform Residential Appraisal Report (Desktop) File

Appraisal Assignment Type: Desktop Appraisal	Subject Property Data Collection Date:
Subject Property Data Collection Method: Other	Subject Property Data Collection Workforce:

Leave blank

The appraiser will indicate the assignment type in the Additional Comments section of Form 1004 Desktop.

Data enumeration will be validated at point of UCDP submission.

Remediation of inaccurate data may require a resubmission of the appraisal.

Loan Delivery will validate the new desktop DU message ID is present when a desktop appraisal assignment type is indicated on Form 1004 Desktop.

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Floor Plan

Policy Details: [Selling Guide B4-1.2-01, Appraisal Report Forms and Exhibits](#)

A footprint sketch or floor plan must be software-generated (not hand drawn) and indicate dimensions and calculations that demonstrate how the estimate for gross living area was derived.

The floor plan must include:

- Interior walls,
- Doorways,
- Staircases,
- Exterior ingress/egress,
- Labels for each room, and
- Provide the dimensions of all exterior walls

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Alternative-scope Valuation Approaches

1004 Forms differ by approach

Desktop appraisal

An appraisal assignment for which the scope of work does not include field work by the appraiser and does not include reviewing a recent interior / exterior property data report.

Hybrid

An appraisal assignment consisting of a desktop appraisal for which the scope of work includes reviewing a recent interior/exterior property data report.

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[URAR Hybrid and Desktop Appraisal Forms — Overview](#)

Provides a line-by-line comparison of differences between Forms 1004 and 1004 (Desktop). Although this includes comparisons of both Forms 1004 (Hybrid) and 1004 (Desktop), the Hybrid form is not currently in use, per the *Selling Guide*.

Additional Resources

- [About Desktop Appraisals](#)
- [URAR Hybrid and Desktop Appraisal Forms — Quick Reference](#)



Uniform Appraisal Dataset (UAD) and Forms Redesign

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Changes to the URAR

Tentative timeline is available on the Fannie Mae UAD page: <https://singlefamily.fanniemae.com/delivering/uniform-mortgage-data-program/uniform-appraisal-dataset>

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- **Highest and Best Use**
Future information captured to support Highest and Best Use.
- **Prior Sales and Transfers**
Will capture details around prior sales and transfers for both the subject and comparables.
- **Prior Services**
The prior service has been moved into the certifications.
- **Quality and Condition**
The quality and condition will be reported for the interior and exterior individually, then reported as the whole. This will help when one rating is different than the other.



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UAD
Sneak Peek

Highest and Best Use

Example of the future URAR

Future information captured to support Highest and Best Use

Highest and Best Use

Is the present use of the subject property ...

Legally Permissible	Yes	Financially Feasible	Yes
Physically Possible	Yes	Maximally Productive	Yes

Yes No

Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use?

Highest and Best Use Commentary

The subject is a legally permissible use based on its current zoning. Also, the lot size, shape, and land-to-building ratio allow the present structure and indicate a good utilization of the improvements.



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UAD
Sneak Peek

Prior Sales and Transfers

Details around prior sales and transfers for both the subject and comparables

Example shows prior transfer of the subject as land being developed into a subdivision.

Prior Sale and Transfer History

Subject Transfer History

Prior sales and/or transfers of the subject property (minimum 3 year look back)

Transfer Terms	Date	Amount	Data Source
Pre-Subdivision Sale	10/01/2015	\$2,500,000	Assessor Record MLS

Analysis of Prior Sale and Transfer History of Subject Property Land was purchased in a bulk sale for the current subdivision Grammy Gold.

Comparable Transfer History

Prior sales and/or transfers of the comparable properties from the 'Sales Comparison Approach' section (minimum 1 year look back)

#	Transfer Terms	Date	Amount	Data Source
1	Typically Motivated	06/07/2017	\$805,000	MLS Public Record
2	None			
3	None			
4	None			

Analysis of Prior Sale and Transfer History of Comparable Sales Comparable #1 had a prior transfer. The prior sale appears to be a market motivated arm-length transaction with no unusual concessions noted. The increase in value appears to be based upon recent improvements made to the comparable which include, but are not limited to, the finishing of the basement area to include a family room, bedroom and bathroom. No other prior sales have been reported for the remaining comparable properties.



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Example shows a prior transfer of the subject as land being developed into a subdivision

Prior Sale and Transfer History

Subject Transfer History

Prior sales and/or transfers of the subject property (minimum 3 year look back)

Transfer Terms	Date	Amount	Data Source
Typically Motivated	07/10/2017	\$700,000	MLS Assessor Record

Analysis of Prior Sale or Transfer History of Subject Property There has been little fluctuation in the market during the past 4 years.

Comparable Transfer History

Prior sales and/or transfers of the comparable properties from the 'Sales Comparison Approach' section (minimum 1 year look back)

#	Transfer Terms	Date	Amount	Data Source
#1	None			MLS Assessor Record
#2	Typically Motivated	10/01/2018	\$779,000	MLS Assessor Record
#3	Typically Motivated	09/15/2018	\$725,000	MLS Assessor Record
	Typically Motivated	12/31/2018	\$750,000	MLS Assessor Record
#4	None			MLS

Analysis of Prior Sale or Transfer History of Comparable Sales There was no information regarding material changes to Comparable #2 made known to the appraiser. Concerning Comparable #3, it was made known to the appraiser that the changes made to the comparable property were due to a kitchen remodel.

UAD
Sneak Peek

Prior Services

The prior service has been moved into the certifications.
The appraiser will choose which applies.

26. I have not performed any service regarding the subject property within the three years preceding the agreement to perform this assignment.

26. I have performed services regarding the subject property within the three years preceding the agreement to perform this assignment.
Description of Prior Services: Performed an appraisal for refinance purposes in 2017.



UAD
Sneak Peek

Quality and Condition

Example quality and condition report

The quality and condition will be reported for the interior and exterior individually, then reported as the whole.

Overall Quality and Condition			
Overall Quality	Q4	Overall Condition	C4
Exterior Quality	Q4	Exterior Condition	C3
Interior Quality - Primary Dwelling	Q4	Interior Condition - Primary Dwelling	C4
Interior Quality - ADU	Q4	Interior Condition - ADU	C4



UAD
Sneak Peek

Exterior Quality and Condition

The appraiser will be able to support their quality and condition ratings with facts about the property, removing subjectivity.

Quality and Condition					
Exterior Quality Rating		Q3	Exterior Condition Rating		C1
<i>The table below supports the Exterior Quality and Condition ratings and reflects the market value condition of this report</i>					
Exterior Features					
Feature	Detail	Quality Comment	Condition Status	Condition Comment	
Exterior Walls and Trim	Cement Board	The exterior of the homes is a mix of Hardie plank and stone.	New or Like New		
Foundation	Poured Concrete Basement	Subject has a walkout lower level, concrete covered with Hardie plank.	New or Like New		
Roof	Composition Less than 1 year	Roof is covered with a 50 year composition roof.	New or Like New		
Windows	Subject has a mix of double hung and casement windows, all are low e.	Windows are metal clad with paintable wood interior.	New or Like New		

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UAD
Sneak Peek

Interior Quality and Condition

Quality and Condition section

This table represents facts about the interior of the subject property, allowing for specifics based on:

- Kitchen and bath(s)
- Update status
- When it was last updated
- Freeform comments about quality
- Condition Status
- Overall comments if needed

The appraiser can also detail flooring, walls, and ceilings.

Quality and Condition						
Interior Quality Rating			Q3	Interior Condition Rating		C1
<i>The tables below support the Interior Quality and Condition ratings and reflect the market value condition of this report</i>						
Kitchen and Bathroom Details						
Room	Update Status	Time Frame	Quality Comment	Condition Status	Comment	
Kitchen Level 1	Fully Updated	Less than 1 year	High quality cabinets, granite counters, Viking appliances, sink is located in an oversize island.	New or Like New		
Full Bathroom Level 1	Fully Updated	Less than 1 year	Separate tub and shower, large room, tile on the floor and walls, granite counters.	New or Like New		
Full Bathroom Level B1	Fully Updated	Less than 1 year	Tile on the floor, walls, and shower; granite counters.	New or Like New		
Half Bathroom Level B1	Fully Updated	Less than 1 year	Pedestal Sink, tile floor.	New or Like New		
Overall Update Status for Bathrooms Fully Updated						
Interior Features						
Feature	Detail	Quality Comment	Condition Status	Condition Comment		
Flooring	Carpet	Carpet is Nylon short loop.	New or Like New			
	Ceramic Tile	18" square stone tile.	New or Like New			
	Engineered Wood	6" engineered oak plank.	New or Like New			
Walls and Ceiling	8' 10+ Beamed	Beamed 10' ceilings on the first level.	New or Like New			
Overall Update Status for Flooring Fully Updated						

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Appraiser Quality Monitoring (AQM)

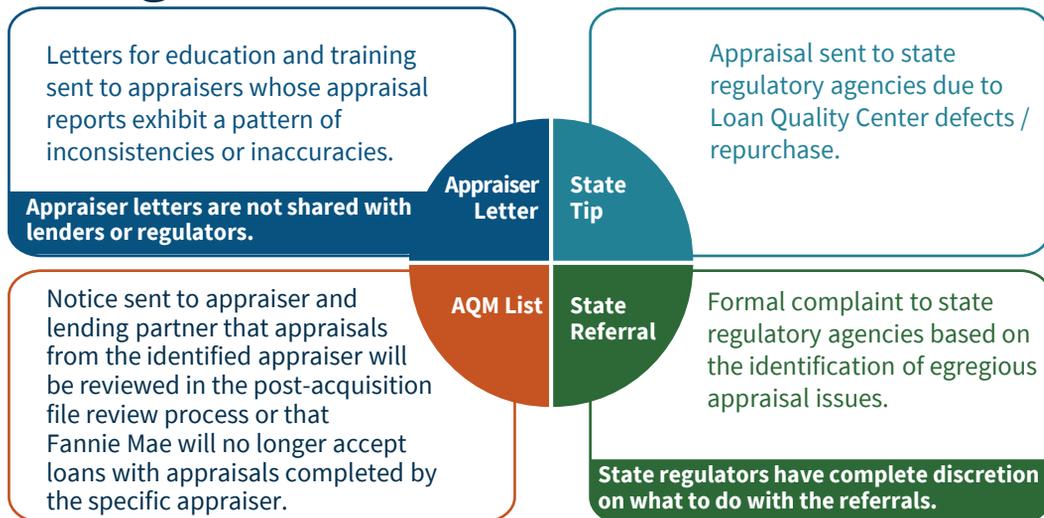
Promoting quality in the loan origination process

Appraiser Quality Monitoring provides appraisers and industry partners with actionable feedback to improve consistency, manage risk, and increase confidence in the appraisal process.

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Categories of Actions



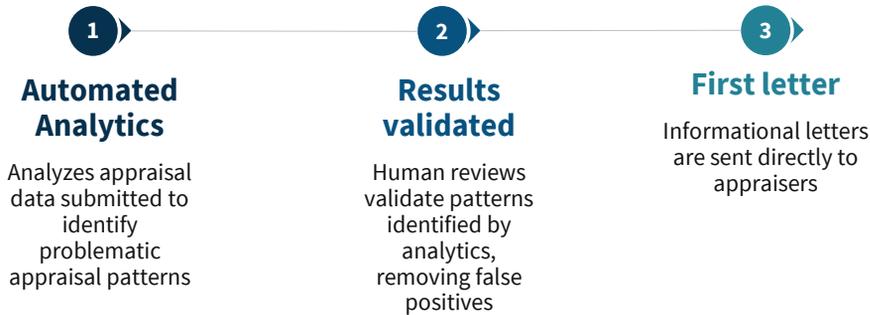
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Appraiser Letter process flow

Targeted correspondence with individual appraisers has proven to be an effective way to improve data quality

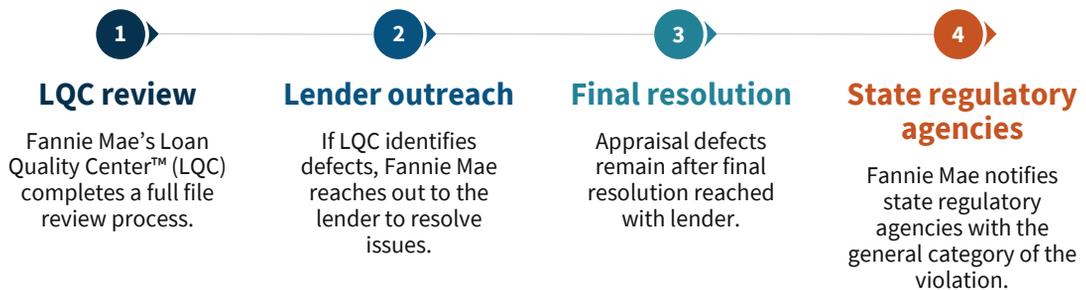


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Appraisal tips to state regulatory agencies

In line with industry concerns and feedback, Fannie Mae notifies state regulatory agencies of specific appraisal issues and the general category of valuation defects found to improve appraisal quality.



Fannie Mae will not provide additional details on State Tips unless required by the state agency.

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