



Fannie Mae® Valuation Modernization

This job aid was created to provide guidance on the new valuation options being provided by Fannie Mae® to establish a property’s market value and your role in the process.

Overview

Fannie Mae® strives to continuously improve the home valuation process and make it more efficient and accurate.

The driving forces for modernizing the valuation process include:

- Need for current information on property characteristics to be used in automated valuation.
- Availability of new technology - data collection, artificial intelligence, and analytics to manage risk.
- Desire to eliminate conscious and unconscious bias.
- Increase appraiser efficiencies by increasing the availability of people to inspect properties.

On April 15, 2023, Fannie Mae® transitioned to a range of options to establish a property’s market value, with the option matching the risk of the collateral and loan transaction. This, in turn, helps lenders, appraisers, and risk investors manage collateral risk more effectively, while also benefiting consumers.

The spectrum balances traditional appraisals with appraisal alternatives.

- Value Acceptance (appraisal waiver)
- Value acceptance + property data
- Hybrid
- Desktop
- Traditional

With this update, Fannie Mae® is introducing the following:

- **Value Acceptance** – this is the same as a full “appraisal waiver.” The change in terminology is designed to better reflect the actual process of using data and technology to accept the lender-provided value. After the market absorbs this terminology change, “value acceptance” will be the standard term used or an appraisal waiver. With this new language, Fannie Mae® is moving away from implying that an appraisal is a default requirement.





- **Value Acceptance + Property Data** is a new option that utilizes property data collection by a vetted and trained third-party who conducts interior and exterior data collection on the subject property. We use the property data collection to confirm and warrant property eligibility, and an appraisal is not required.
- **Hybrid Appraisals** are based on interior and exterior property data collection by a vetted and trained third-party that is provided to an appraiser to perform an enhanced version of a desktop appraisal. They are permitted for certain one-unit transactions where value acceptance + property data was initially started, but changes in loan characteristics results in the transaction not being eligible for that option.

If the value acceptance + property data offer is lost due to changes in qualifying loan characteristics after the property data was obtained, review Automated Underwriting Systems (AUS) to verify which appraisal type is now required. If Hybrid is found, email Appraisal Fulfillment to order. If full traditional appraisal is required, operations can place the order.

The Collateral Review Team (CRT) could determine that they want an Appraiser to look at the property, in which case they will notify sales and coordinate with appraisal fulfillment to order a Hybrid Appraisal (if eligible).

A Hybrid appraisal is permitted only when all of these preconditions are met in this sequence:

- DU determines the loan is eligible for value acceptance + property data,
- lender obtains property data and submits it to our Application Programming Interface (API),
- Property Data Collection (PDC) confirms that the property type is single-family residential (excludes manufactured homes, condominiums, co-ops, 2+ units, and nonresidential), and finally,
- the loan loses eligibility in DU for value acceptance + property data due to a change in qualifying loan characteristics.

The lender must provide the property data collection to an appraiser to perform a hybrid appraisal assignment.

Desktop Underwriter messages **will not** indicate when a casefile is eligible for a 1004 Hybrid appraisal.

Note that hybrid costs are lower since the Property Data Report (PDR) has already been provided. Cost for both PDR and Hybrid will not exceed the cost of a Traditional appraisal.

What To Expect





- Fewer full appraisals.
- Reduction in value acceptance (full appraisal waiver) offers.
- Value acceptance + property data will exceed original value acceptance percentage for most lenders.
- New Desktop Underwriter (DU) messages for value acceptance + property data beginning April 15, 2023.

Benefits of Value Acceptance + Property Data

- Reduces origination cycle time.
- Decreases borrower costs.
- Greater appraisal accuracy.
- Promotes safety/soundness by obtaining current observation of the subject property.

Your Role

- Submit loan to DU.
- Read DU Underwriting Findings report.
- Order value acceptance + property data when indicated.

Value Acceptance + Property Data Eligible/Ineligible Transactions

For certain loan casefiles, DU offers value acceptance + property data – an option that requires interior and exterior property data collection to verify property eligibility. An appraisal is not required.

Eligible Transactions

Loan casefiles for certain one-unit properties will be considered for value acceptance + property data.

Ineligible Transactions

The following transactions are not eligible for value acceptance + property data:

- Two-to four-unit properties
- Condo (including detached condos) and co-op units.
- Manufactured homes.
- Proposed construction.
- Construction-to-permanent loans (single-close and two-close)
- Investment properties when rental income is used to qualify the borrower.
- HomeStyle Renovation and HomeStyle Energy loans
- Texas 50 (a)(6) loans





- Leasehold properties
- Community land trusts or other properties with resale price restrictions, which include loan casefiles using the Affordable LTV feature.
- Transactions where either the purchase price or estimated value provided to DU is \$1,000,000 or more.
- Transactions using gifts or equity.
- DU loan casefiles that receive an ineligible recommendation
- Manually underwritten loans.

Exercise value acceptance + property data when:

- the final submission of the loan casefile to DU resulted in an eligibility message for value acceptance + property data,
- property data collection is obtained after the initial DU offer,
- an appraisal is not obtained for the transaction, and
- the offer is not more than four months old on the date of the note and mortgage.

DU Findings Special Messaging

- **When the loan is full value acceptance eligible**

The following message will be displayed in the DU Underwriting Findings report when a loan receives a value acceptance offer:

DU accepts the value submitted by the lender for this subject property. To exercise the value acceptance (appraisal waiver) offer with the representation and warranty relief on the value, condition, and marketability of the subject property, the loan delivery file must include the Casefile ID and Special Feature Code 801. If the value acceptance (appraisal waiver) offer is not exercised, an appraisal is required for this transaction and the loan cannot be sold with Special Feature Code 801. Note that DU does not identify all value acceptance (appraisal waiver) ineligible transactions, including Texas Section 50(a)(6) mortgages; always refer to the Selling Guide to verify eligibility.

- **When the loan is value acceptance + property data eligible**

The following message will be displayed in the DU Underwriting Findings report when a loan receives a value acceptance + PDR offer:






DU accepts the value submitted by the lender for this subject property. This loan is eligible for value acceptance + property data with the representation and warranty relief on the value and marketability of the subject property contingent upon the submission of property data to the Fannie Mae Property Data API and the inclusion of the Casefile ID and Special Feature Code 774 in the loan delivery file. Note that DU does not identify all value acceptance + property data ineligible transactions, including Texas Section 50(a (6) mortgages; always refer to the Selling Guide to verify eligibility. (MSG ID 3709).

How to Order Property Data Report in H2O (Retail/JV/Wholesale Only)

- Click on Order/View Status to the right of Appraisal from the left tool bar.

• Cancellation/Denial

Action Items 	
Import	1003
LoanAdvisor	Assign a Product
CaliberLE	Fees & Disclosures
Order Out	Digital Mortgage
AUS	AUS
LSC	LoanScorecard
Appraisal	Order/View Status
My eFile	Docs / Conditions
COC	Request a Change
1003	Print Document

- Go to the Appraisal Ordering screen in H2O.
 - Select H2O Appraisal Product = FNM Property Data Report





Underwriting and Collateral Review

Representations and Warranties

When a loan casefile is eligible for value acceptance + property data and exercised by the lender, Fannie Mae® accepts the value estimate submitted by the lender as the value for the subject property.

Property Data Collection

The property data collection consists of a visual observation of the interior and exterior areas of the subject property. It must be performed by a trained and vetted property data collector and must adhere to Fannie Mae's Property Data Standard. The Standard sets forth the minimum requirements for collection of subject property data including photos and a floor plan conforming to the ANSI Standard. See the Fannie Mae® Property Data Collection User Guide and Property Data Standard for more information.

Property Data Collection with Needed Repairs or Completion Verification

- The lender must represent and warrant that the property does not have safety, soundness, or structural integrity issues.
- is not in C6 condition.
- is not Q6 quality.
- does not have significant items of incomplete construction or renovation.
- and meets the Fannie Mae® property eligibility requirements.





To make these representations and warranties in the absence of an appraisal, the lender must examine the descriptive information and photo exhibits from the property data collection to determine whether the property meets the above requirements.

When the property data collection evidence any items failing eligibility requirements, the lender may need to obtain a professionally prepared report from a qualified professional to confirm the eligibility of the property and if repairs are required (well, septic, foundation, roof, electrical, mold, etc.). If repairs or alterations are necessary to bring the property into compliance with the Fannie Mae® eligibility requirements, the lender must provide satisfactory evidence and documentation showing the condition has been corrected or completed prior to sale of the loan to Fannie Mae®.





Glossary of Terms

Value Acceptance (appraisal waiver)
Uses data and a modeling framework to confirm the validity of the value/sales price. For purchases and refinances, especially well-suited for low-risk refinances when the subject and market data is abundant.
Value Acceptance + Property Data
Property data is collected by a trained and vetted third party (real estate agent, insurance inspector, appraiser, etc.) Lender reviews data and warrants property eligibility.
Property Data Collection (PDC)
Consists of a full interior and exterior inspection of the subject property. The data collection can be performed by a trained and vetted third-party.
Hybrid Appraisal
Property data collected by a trained and vetted third-party (real estate agent, insurance inspector, appraiser, etc.) is passed to an appraiser to perform an enhanced version of a desktop appraisal. For loans that do not qualify for value acceptance or do not have reliable prior observations of the subject property.
Desktop Appraisal
Appraiser completes the appraisal without physically inspecting the property, using data from various sources (agents, homeowners, MLS, tax records, etc.). Best suited for purchase transactions.
Traditional Appraisal
Appraiser collects the property data and completes the market analysis required for the appraisal. For complex property types or situations where data is sparse.

Resources



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Topic	Link
Selling Guide Announcement	https://singlefamily.fanniemae.com/media/33551/display
Lender Post-Closing Quality Control Review of Appraisers, Appraisals, Property Data Collectors, and Property Data Collection	https://selling-guide.fanniemae.com/Selling-Guide/Ensuring-Quality-Control-QC-/Subpart-D1-Lender-QC-Process/Chapter-D1-3-Lender-Post-Closing-QC-Mortgage-Review/1049124191/D1-3-04-Lender-Post-Closing-Quality-Control-Review-of-Appraisers-Appraisals-Property-Data-Collectors-and-Property-Data-Collection-03-01-2023.htm
Single Family Value Acceptance (Appraisal Waivers)	https://singlefamily.fanniemae.com/originating-underwriting/appraisal-waivers
Value Acceptance (Appraisal Waivers) FAQs	https://singlefamily.fanniemae.com/media/9456/display
Value Acceptance (Appraisal Waivers) Fact Sheet	https://singlefamily.fanniemae.com/media/5916/display
Instructions for Delivering a Loan Without an Appraisal	https://singlefamily.fanniemae.com/job-aid/loan-delivery/topic/no_appraisal_required.htm
Selling Guide	https://selling-guide.fanniemae.com/





Record of Revisions

Update Date	Updated By	Revision Type	Summary of Changes
04/24/2023	Dorothy Young & Cat Murray	New	Created
05/24/2023	Dorothy Young & Cat Murray	Update	Per legal review. Provided trademark for Fannie Mae, added affiliation statement in footer, updated hybrid appraisal requirements, spelled out words on first abbreviation.

