



3.5 Hours Credit

Approval requested for both KREAB and KREC

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Secondary Market Appraisal Standards

v. 2015

WEG 2015F

Federal National Mortgage Association, or Fannie Mae, is one of the dominant players in what is routinely referred to as the residential Secondary Loan Market. The economic upheaval of 2008 and the subsequent real estate driven recession resulted in dramatic changes in the financial structure, stock price and internal operating procedures of this lending giant. As a result, new procedures were put into place across the broad spectrum of underwriting standards which have generally be document and routinely referred to as the Fannie Mae Selling Guides.

The review of operational procedures was comprehensive but nowhere more extensive than in the area of appraisal development and delivery. Beginning with the assumption that comprehensive computerization of the process would improve consistence and that improved consistency would result in a higher degree of reliability in security evaluation, the corporation initiated a delivery and reporting protocol, the Uniform Appraisal Dataset (known as the UAD) which was part of a Uniform Mortgage Data Program delivered to the secondary market buyer through a Uniform Collateral Data Port. The obvious emphasis is on uniformity. To that end, specific encoded entries from a limited number of validated abbreviations to punctuation were mandated. The final product was and is now delivered in a MISMO (Mortgage Industry Standards Maintenance Organization) format through the Uniform Collateral Data port.

In 2014-15, Fannie Mae has extensively revised the standards that will be applied to appraisals and the properties which are the subject of appraisals. Additionally, a computerized risk evaluation protocol, rating appraisals and the property security from 1 to 5, utilizing a collective data base developed from other appraisal reports and other appraisers. Lenders are being strongly encouraged to utilized the aptly named Collateral Underwriter® as an automated appraisal evaluation tool.

While appraisers, real estate licensee and, perhaps most importantly, the consumers of loan services have not been included in the development of this business model, it will have wide ranging impact for all home lending sources. To begin with, the Fannie Mae standards, whether rightly or wrongly, have been considered a ‘benchmark’ for appraisal quality. Secondly, no other entity, except perhaps HUD-FHA, has attempted to comprehensively address the securitization standard problem.

In 2015, the changes will begin to impact buyers and sellers of 1-4 family houses, Realtors, lenders, and appraisers. Now, more than ever, being aware of and monitoring the changes in the Fannie Mae secondary market Selling Guides is critical to operating effectively in this fundamental building block of the American economy.

This class exposes those issues and documents the current status of the Guides and identifies the sources for future monitoring of evolving standard.

Course Materials:

1. The Fannie Mae Selling Guidelines (Section B-4)
2. Appraisal and Property Related Frequently Asked Questions
3. Collateral Underwriter (CU) FAQs