

Informational Messages Provided by Loan Product Advisor	
Message Code	Message Explanation
Y3	<p>No HVE Point Value Estimate – Indicates Loan Product Advisor could not obtain a HVE point value estimate for the subject property.</p> <p>Message Text: <i>Unable to determine the HVE point value estimate for the submitted address.</i></p>
Y4	<p>HVE Point Value Estimate Disclaimer – Indicates a HVE point value estimate is not a substitute for an appraisal. Representations and warranties of the appraisal of the subject property are still required.</p> <p>Message Text: See example above.</p>
Y5	<p>HVE Variance – A calculation* of the percentage difference between the HVE value and the lowest submitted valuation. The borrower's estimate of value will be used until the appraised value is received and submitted to Loan Product Advisor. Once the appraised value is submitted, it will be compared to the purchase price and the lowest value will be used in the calculation with HVE.</p> <p>*HVE Variance % = $(\text{Lesser of appraised value/estimated value or purchase price}) - \text{HVE point value estimate}$ Lesser of appraised/estimated value or purchase price * Difference between HVE point value estimate and appraisal</p> <p>Message Text: See example above.</p>
Y6	<p>Excessive Value Message – Even if your organization opts out of receiving HVE messages for certain Loan Product Advisor transactions, you may still receive this message if applicable. The excessive value message will be dependent on an HVE variance percentage, as well as, the transaction type and the HVE Confidence Score. This will help you more easily identify potentially inflated appraisal values.</p> <p>When the Excessive Value Message (Y6) Is Returned:</p> <ul style="list-style-type: none"> This means Loan Product Advisor has determined that, based on the information obtained from HVE and the information you provided (estimated value, appraised value or purchase price), there is an increased probability that the appraisal may be inflated. Appraisal results that receive the excessive value message have the highest risk of potentially inflated values. Take the time to review your appraisal carefully. <p>When the Excessive Value Message (Y6) Is Not Returned:</p> <ul style="list-style-type: none"> This does not mean the appraised value or purchase price entered for the subject property is acceptable. The Seller retains the responsibility for reviewing the appraisal and ensuring the validity of the results, regardless of whether the excessive value message is returned. <p>Message Text: <i>Review for Accuracy: The Estimated Value of Property or Net Purchase Price submitted for this transaction may be excessive for the local market. The appraisal should be carefully reviewed for this transaction.</i></p>

Understanding the Property Valuation Disclosure Form

Not only do you receive HVE message results on the Feedback Certificate, the HVE messages are returned on the Property Valuation Disclosure Form as well. You may access this form in the Results section in Loan Product Advisor, in the same location as the Feedback Message Certification and Document Checklist. If you opt out of receiving HVE messages, the Property Valuation Disclosure Form is still available, but no HVE messages will be returned.

Using the HVE Messages When Underwriting the Appraisal Report

Your review and evaluation of the appraisal information in accordance with Freddie Mac recommended best practices and guidelines should help you to determine the validity of the appraisal's market value. In addition to the information provided above, the following can also be used to assist you in underwriting the Appraisal Report when using the HVE messages on all loans, and should be particularly relevant to your evaluation of appraisals when Loan Product Advisor has returned the excessive value message.

HVE Forecast Standard Deviation (FSD) – If you receive the HVE Forecast Standard Deviation message, carefully review the appraisal on properties where the HVE results indicate a high FSD and a low Confidence Level.

- Like other statistically derived models, comparing a sample of HVE point value estimates with actual property sales prices would show a distribution of values that would include some statistical outliers. Statistical outliers are identified by the FSD and Confidence Level returned with the point value estimate. A FSD above .200 equates to a low confidence level and means there may be greater error in predicting the actual market value.
- The point value estimate will generally be less accurate on properties located in areas with a lack of recent sales activity, or areas with significant variation in the characteristics of the housing stock. A rural property would be an example of this type of situation, and thus, would mostly likely have a point value estimate with a higher FSD and lower Confidence Level.
- A property with a point value estimate with a high FSD and low Confidence Level is more difficult to value by any method, and as a result, a more careful review of the appraisal is needed. This is also an indicator that the appraiser has the same limited data to work with to derive a value.

Property Condition and Marketability – look for information in the appraisal that would support the valuation of the subject property as higher-than-average quality, condition or marketability.

- Focus on the relative quality, condition and marketability of the property to comparable sales in its local market. HVE assumes similar quality, condition and marketability to the recent sales in the market area, so consider any differences in the subject property to recent sales in the market area that would support the appraiser's valuation.
 - Look for evidence of renovation and/or a higher quality of construction relative to the local market.
 - Determine whether the property is in a beneficial location such as waterfront, adjacent to a park or golf course, or having a skyline view.

Local Market Trends and Conditions – carefully review the information provided by the appraiser on Form 71.

- Review the comparable sales used by the appraiser and local market conditions affecting the value.
- Review the information provided on Form 71 relative to REOs and short sales. Evaluate whether the appraiser used distressed sales as comparable sales. In markets experiencing a high rate of decline and distressed sales, it would be common for an appraiser to include distressed sales as comparables. Distressed sales should not be used as comparables in a market that is not experiencing widespread decline.



Where the local market is improving, it is possible for the model point value estimate to slightly lag the current market activity. Conversely, if the market is declining, the model may be lagging on the positive side.

HVE's Reliance on the Accuracy of Public Records Data and Tax Assessor Records – keep in mind that HVE relies on data available through public record sources, such as tax assessor data, as well as Freddie Mac's portfolio.

- Accurate model valuations are dependent upon complete and accurate data. If the model has inaccurate or incomplete data on a property, the point value estimate will be affected.
- For example, additions or significant renovations to a property may not be captured in the tax assessor data used to build the model, resulting in a significant difference between the point value estimate and the appraised value.



When the underwriter concludes that the appraisal information supports the market value due to the quality, condition, local market conditions or other factors, the review is complete and no additional escalation is necessary.

Escalating the Appraisal for Additional Review – Freddie Mac recommends Sellers establish specific criteria for escalating the review of appraisals based upon the potential collateral valuation risk. After considering all of the above factors during the appraisal review and the underwriter concludes that the appraisal does not provide sufficient information to support the higher value, it is recommended that the following escalation process be pursued to determine the validity of the appraisal:

- Escalate the appraisal for additional review by a senior underwriter or in-house appraiser, if available.
- If upon additional review, the reviewer still has concerns about the value; the appraiser should be contacted to resolve any questions and/or concerns. Any changes to the opinion of market value may only be made by an appraiser licensed or certified and experienced in the market area in which the subject property is located.
 - If valid concerns about the appraisal are resolved with the appraiser, the appraiser fully documents the rationale for any changes made to the appraisal, including changes in value and/or the use of additional comparables, or
 - If valid concerns about the appraisal cannot be resolved with the appraiser, reject the original appraisal and obtain a second appraisal.
- If the appraiser amends the value or a second appraisal is obtained, update the appraised value in Loan Product Advisor and resubmit the loan.

When HVE Information Is Not Available for the Submitted Property Address

If Loan Product Advisor is unable to obtain the HVE information for the submitted address, you will receive the following message:

Y3 Unable to return the HVE point value for the submitted address.

Common Reasons HVE Results May Not Be Available

1	The submitted property address could not be verified to United States Postal Service standards.
2	The property is a newly constructed home and information on the property is not yet available to HVE.
3	The property may be located in an area where HVE does not have enough raw data to generate a value with a sufficient degree of confidence, for example, rural properties.
4	The property is a manufactured home or a 3- to 4-unit property. HVE does not provide data on these property types.

Common Reasons HVE Results May Not Be Available, *continued*

5	The loan is a FHA, VA or Jumbo Mortgage.
6	In some areas, HVE does not have assessment records and must complete the valuation using the repeat sales method ONLY. In that instance, HVE must have prior transaction information in order to value. If no prior sales data is available in the area, then there will be no valuation.
7	HVE performs statistical checks on its data. If the variance on that data is too high, HVE will not produce a value.

Resubmissions Using the HVE Point Value Estimate

Keep the following in mind – the HVE database is updated monthly. As a result, the HVE point value estimate may change after resubmission if the HVE data has been updated. This change may or may not trigger the excessive value message.

Additional Resources

Refer to the following resources for additional help when underwriting the appraisal report:

- *Single-Family Seller/Servicer Guide* (Guide)
 - Guide Chapter 5601, Property Eligibility and Appraisal Requirements
 - Guide Form 71: Market Conditions Addendum to the Appraisal Report
- Learning Center Resources (www.FreddieMac.com/learn)
 - Appraisal Review Reminders Quick Reference
 - Fraud Prevention and Quality Control Best Practices
- Using Freddie Mac Property Valuation Data web page (http://www.freddiemac.com/singlefamily/sell/using_property_valuation.html)

For **Relief Refinance Mortgages – Open Access**, also refer to the following resources:

- *Single-Family Seller/Servicer Guide* (Guide)
- Guide Chapter 4303.3(g)
- Learning Center Resources (www.FreddieMac.com/learn)
 - [Using Home Value Explorer \(HVE\) via Loan Product Advisor.com for Relief Refinance Mortgages](#)