

The Uniform Collateral Data Portal® (UCDP®) is a single portal for the electronic submission of appraisal data files and facilitates the electronic collection of appraisal report data. It communicates with Loan Collateral Advisor<sup>SM</sup> to analyze submitted appraisal reports and provide Freddie Mac's view of appraisal quality and valuation risk.

Beginning February 10, 2017, Loan Collateral Advisor risk scores and findings will be returned as proprietary messages in the UCDP report to help you manage and remediate appraisal quality issues earlier in the review process and to help you determine the level of attention required. In turn, you'll increase your operational efficiencies through improved workflow, and reduce the risk of repurchases related to significantly deficient or inaccurate appraisals.



Freddie Mac Sellers continue to be responsible for:

- Underwriting and delivering investment quality mortgages, and
- The representations and warranties regarding the mortgaged premises and the associated valuation.

Freddie Mac is also using these results internally. Our Quality Control (QC) team uses the results in its sampling and review of appraisal reports. The risk scores and feedback messages are one of the inputs to our quality control loan review process.

## Where are the Loan Collateral Advisor risk scores and findings messages returned in UCDP?

The Loan Collateral Advisor risk scores and findings messages are returned within the Appraisal: Findings section of the UCDP report under the Freddie Mac tab. The messages are also returned on the UCDP Submission Summary Report (SSR) under Freddie Mac Proprietary Edit Findings and available via UCDP Direct Integration.

### Examples of risk score messages returned in Appraisal: Findings section

Message ID	Form Section	Form Field Name	Datapoint Name	Property Affected	Action Message	Severity
FRE0002	N/A	N/A	N/A	N/A	Appraisal Quality Risk is assessed at 2 indicating a Low risk of appraisal deficiencies.	Warning
FRE0009	N/A	N/A	N/A	N/A	Valuation Risk is assessed at 1 indicating a very low risk of under or overvaluation.	Warning

Appraisal Quality Risk is assessed at 2 indicating a Low risk of appraisal deficiencies.

Valuation Risk is assessed at 1 indicating a very low risk of under or overvaluation.

The following is a list of risk score messages that may be returned:

Message ID	Message	Severity
FRE0002	Appraisal Quality risk is assessed at [ <i>Appraisal Quality Risk Score</i> ] indicating a [ <i>Risk Level</i> ] risk of appraisal deficiencies.	Warning
FRE0007	Valuation Risk is assessed at [ <i>Valuation Risk Score</i> ] indicating a [ <i>Risk Level</i> ] risk of overvaluation.	Warning

Message ID	Message	Severity
FRE0008	Valuation Risk is assessed at [ <i>Valuation Risk Score</i> ] indicating a [ <i>Risk Level</i> ] risk of undervaluation.	Warning
FRE0009	Valuation Risk is assessed at 1 indicating a very low risk of under or overvaluation.	Warning



Risk scores are currently returned for Form 70/1004 appraisal reports only.

### What do the risk scores indicate?

The two risk scores (Valuation Risk Score and Appraisal Quality Risk Score) returned to UCDP from Loan Collateral Advisor are independent from each other and provide greater transparency into Loan Collateral Advisor’s view of the appraisal. The scores identify risk levels pertaining to valuation accuracy and appraisal quality. Having two risk scores offers you more flexibility with respect to driving workflow by allowing you to isolate the areas that present the most risk. You can separate quality issues from valuation issues and focus appraisal underwriting and QC efforts accordingly.

#### Valuation Risk Score:

- Is a risk measure of Loan Collateral Advisor’s assessment of the accuracy of the appraised value of the subject property relative to Home Value Explorer® (HVE®), our automated valuation model.
- Considers both overvaluation and undervaluation risk. The closer the alignment of the subject property’s appraised value with HVE, the lower the risk of either overvaluation or undervaluation and therefore, the lower the risk score.

The following table provides a breakdown on the Valuation Risk Score values and its associated risk level.

Valuation Risk Score					
A risk measure of Freddie Mac’s assessment of the accuracy of the appraised value (either overvaluation or undervaluation) of the subject property relative to HVE.					
Score	1	2	3	4	5
Risk	Very Low	Low	Moderate	High	Very High



For scores greater than 1, feedback messages indicate if the risk is based on overvaluation or undervaluation.

#### Appraisal Quality Risk Score:

- Is a risk measure pertaining to the appraisal quality, data accuracy and completeness of the appraisal report. The lower the risk score, the lower the risk of a significant appraisal quality defect or deficiency.
- Assesses multiple components of the appraisal to help you determine whether appraisals adhere to our standards and guidelines.
- Is influenced by many factors, including the integrity of the appraisal data, the relevance of the comparable sales selected relative to the pool of available sales, and the reasonableness and supportability of the adjustments.

The following table provides a breakdown on the Appraisal Quality Risk Score values and its associated risk level.

Appraisal Quality Risk Score					
A risk measure pertaining to the appraisal quality, data accuracy and completeness of the appraisal report (level of significant manufacturing defects or deficiencies).					
Score	1	2	3	4	5
Risk	Very Low	Low	Moderate	High	Very High

The scenarios in the table below provide additional insight into what the scores mean.

If...	...what do the scores mean?
<p><b>Low Risk Scores</b> (for example, a score of 1 or 2)</p>	<p>It indicates the appraisal value aligns with the HVE value and/or no significant defects were detected with the manufacturing quality of the appraisal report. You may want to factor these findings into the workflow of your appraisal review process.</p>
<p><b>Moderate Risk Scores</b> (for example, a score of 3)</p>	<p>It indicates some misalignment between the appraisal value and the HVE value and/or certain defects were detected with the manufacturing quality of the appraisal report. You should consider the risk scores and related feedback messages into the workflow of your appraisal review process.</p>
<p><b>High Risk Scores</b> (for example, a score of 4 or 5)</p>	<p>It indicates more significant misalignment between the appraisal value and the HVE value and/or more significant defects were detected with the manufacturing quality of the appraisal report. The messages within UCDP's Freddie Mac tab under Appraisal: Findings can help guide the actions you may need to take. You should also consider the information available during your appraisal review, and the additional information available within Loan Collateral Advisor, to determine whether the appraisal report provides sufficient information to support the analysis and conclusions. For example, Loan Collateral Advisor includes detailed information on comparable selection that may help you determine if the appropriate comparables were used.</p>
<p><b>Low Valuation Risk Score and High Appraisal Quality Risk Score</b></p>	<p>The quality and valuation risk scores are based on independent assessments, so there may be instances when one score is high risk and the other is low risk.</p> <p>For example, you may have an appraisal that received a Valuation Risk Score of 1 or 2 and an Appraisal Quality Risk Score of 4 or 5. Both scores are meaningful and may indicate that although there is a high risk of an appraisal manufacturing deficiency, the value is aligned with HVE.</p> <p>If you receive a low Valuation Risk Score and a high Appraisal Quality Risk Score, the provided messages can help to determine whether there are data errors, omissions or other appraisal manufacturing defects that may need to be addressed.</p>
<p><b>High Valuation Risk Score and Low Appraisal Quality Risk Score</b></p>	<p>If you receive a high Valuation Risk Score and a low Appraisal Quality Risk Score, you should make sure that the appraisal report supports the opinion of value.</p> <p> HVE is a model and subject to the accuracy and timeliness of the data available on a property. There may be instances when the appraiser has more accurate and current information for a property than the model.</p>

If...	...what do the scores mean?
<b>No Valuation Score</b>	<p>There may be instances when a Valuation Risk Score of '99' is returned. This may be due to HVE being unavailable, or not having a value for the property. Feedback messages will indicate the reason for the score:</p> <ul style="list-style-type: none"> <li>▪ If you receive an "HVE is unavailable" message, you may resubmit the appraisal report to UCDP at a later time so it can be reassessed by Loan Collateral Advisor.</li> <li>▪ If HVE does not have a value for the property, proceed with your appraisal review using the Appraisal Quality Risk Score as a tool in your normal underwriting review.</li> </ul>



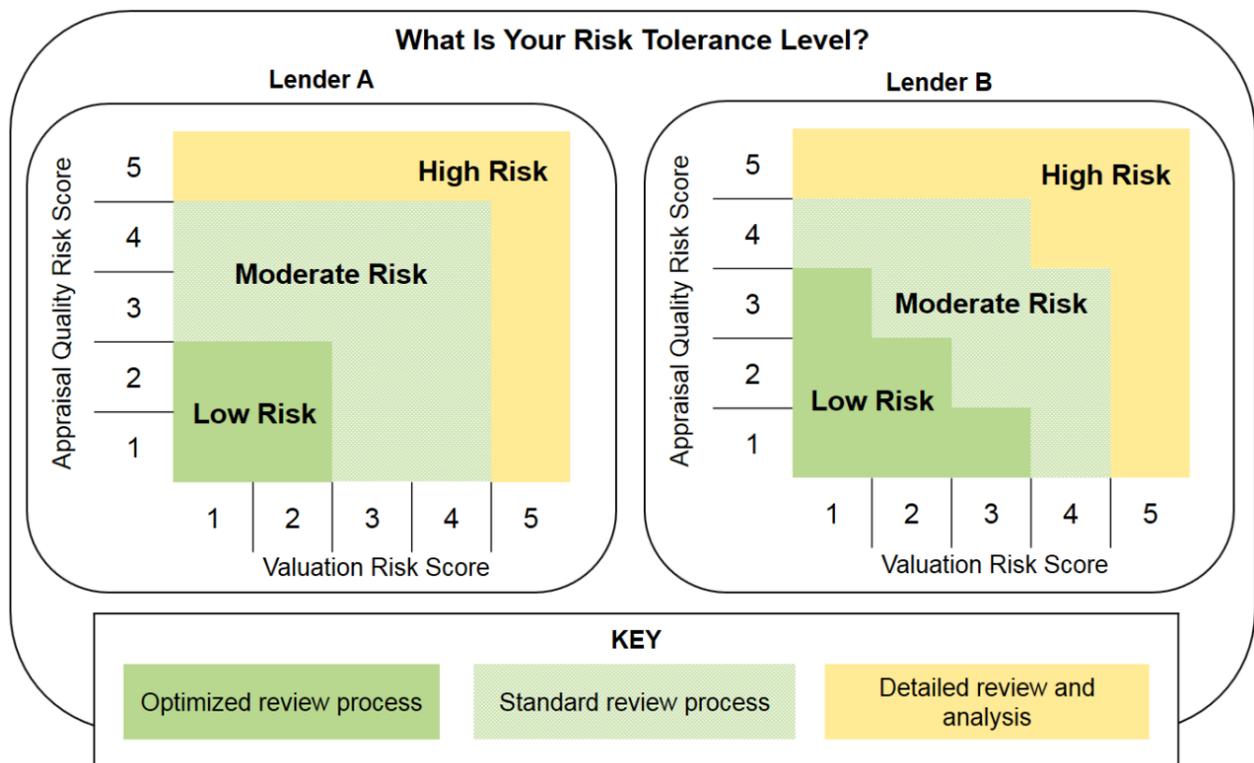
Commentary provided by the appraiser should always be reviewed as it may provide additional information to support the appraiser's analysis and conclusions.

### How can the Loan Collateral Advisor risk scores and findings messages be used?

The risk scores can be flexibly implemented within your current processes. For example, you can:

- Use the Valuation Risk Score and Appraisal Quality Risk Score as factors in defining risk tolerance levels for your organization.
- Determine which appraisals may take advantage of a more optimized review process and which appraisals may require escalation.
- Leverage scores and messages to direct workflow and allocate resources.

The following examples are just a few ways you may consider using the risk scores to help determine the appropriate review path. As illustrated in these examples, your risk thresholds may vary. They may also shift over time as you gain experience with the results, or as your business strategies change.





The advanced search feature in Loan Collateral Advisor can be used to help analyze scoring trends. For example, you can review message trends for appraisals that received a specific Valuation Risk Score or Appraisal Quality Risk Score.

In addition to the risk scores, messages under the Freddie Mac tab in the Appraisal: Findings section of the UCDP report may help you determine the type and experience level required for the appraisal review. The messages are provided to assist you in your analysis of the appraisal report and in managing your workflow processes. For example:

- If a high Valuation Risk Score is returned with a message indicating the property is undervalued, the review required may be different than if you received a message indicating the property was overvalued.
- If a high Appraisal Quality Risk Score is returned with messages indicating possible data inaccuracies, some attention may be directed to these elements to determine that the correct data were provided and whether an update or correction to the appraisal is needed.

The detailed analysis of sales and listing information under the Comparables tab in Loan Collateral Advisor may also help you determine the relevance of the comparable sales selected to the pool of available sales. It includes a ranking of comparables – both appraisal-supplied and Loan Collateral Advisor-supplied; photos; location maps with access to aerial and street views; value comparisons using scatter plots; and access to external data research tools such as Google, Trulia, and Realtor.com. All of the additional information in Loan Collateral Advisor is provided to help you determine where you can create efficiencies. If you don't already have access to Loan Collateral Advisor, contact your Freddie Mac representative for assistance.

If, after reviewing the results, the scores and additional information provided in the Loan Collateral Advisor suggest that the appraisal does not appear to support value, condition or marketability, then you may need to escalate the appraisal report for additional review.



The risk scores are not an indication of purchase eligibility. All loans with appraisals that have a successful UCDP status may be sold to Freddie Mac. It remains the seller's responsibility to confirm that the collateral and associated appraisal meet Freddie Mac requirements.

## Additional Information

For more information on the UCDP or Loan Collateral Advisor, visit our [UCDP](#) and [Loan Collateral Advisor](#) Web pages where you can access a variety resources to help you integrate these tools into your business.