

Bulletin

NUMBER: 2013-20

TO: Freddie Mac Sellers and Servicers

October 8, 2013

SUBJECTS

Property valuation information

On January 18, 2013 the Consumer Financial Protection Bureau (CFPB) released its final rule on the disclosure of copies of appraisals and other written valuations under the Equal Credit Opportunity Act. This final rule revises Regulation B to require creditors to proactively provide applicants for credit with free copies of all appraisals and other written valuations developed in connection with an application for credit.

Today Freddie Mac makes available to Seller/Servicers various tools and systems that provide estimates of property value generated by Freddie Mac's proprietary automated property valuation model, Home Value Explorer® (HVE®). These property value estimates can help Seller/Servicers identify potentially inflated appraised values that may need additional review early in the origination process and also can be used to determine property values for Freddie Mac modifications or Freddie Mac Relief Refinance MortgagesSM. Additionally, Seller/Servicers can obtain Broker Price Opinions (BPOs) through Freddie Mac's BPOdirect®, which also can be used to determine property values for Freddie Mac modifications and other foreclosure alternatives.

We will continue to provide property valuation estimates to assist Seller/Servicers. However, we are aware that use of the valuation information we provide through these tools and systems may impact Seller/Servicers' obligation to comply with the revised valuation disclosure requirements.

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin provides information on enhancements to the tools and systems we make available, together with updates to our Guide requirements related to disclosure of property valuation information. Additionally, in the course of reviewing and revising our requirements related to the use of HVE data, we identified other changes related to the use of property valuation data and are updating the Guide to reflect those changes.

Extension of effective date for third-party vendor fraud training requirements

In Bulletin 2013-18 we announced new requirements for Seller/Servicers to train third-party vendors in each applicable area of their mortgage business about fraud-related matters. In order to allow additional time for Seller/Servicers to comply, we are changing the effective date of such requirement to **April 1, 2014**.

The other changes to Chapters 7 and 57, each titled *Fraud Prevention, Detection and Reporting*, relating to fraud reporting requirements announced in Bulletin 2013-18 became effective on October 1, 2013. See Sections 7.3 and 57.3, each titled *Reporting Requirements*, for more information.

EFFECTIVE DATE

Unless otherwise noted, all of the changes announced in this Bulletin are effective as of the date the Seller/Servicer provides Freddie Mac's valuation information to loan applicants or Borrowers pursuant to the CFPB's final rule on disclosure of appraisal and valuations.

SELLER GUIDANCE AND REQUIREMENTS

Use of HVE property valuation data

Today Sellers may receive HVE property valuation data directly from Freddie Mac or through an authorized distributor or reseller. The sections below provide details about updates regarding the use of HVE property valuation data provided directly by Freddie Mac.

Exhibit 32, Terms Relating to Use of Data Generated by Home Value Explorer®

Effective immediately

Freddie Mac provides HVE data directly to Sellers, electronically and by other means. Sellers may also access HVE point value estimates for Relief Refinance Mortgages on the Loan Prospector® Feedback Certificate or through the Loan Prospector browser by using the “Look-Up HVE Value” tool for Relief Refinance Mortgages – Same Servicer. The terms and conditions relating to use of data generated by HVE are set forth in Guide Exhibit 32, *Terms Relating to Use of Data Generated by Home Value Explorer®*. Exhibit 32 also applies to Loan Prospector Users that receive HVE values (e.g., on the Loan Prospector Feedback Certificate). Other terms and conditions also apply to the use of Loan Prospector and Loan Prospector Feedback Certificates. See Guide Section 2.20, *Loan Prospector User Agreement*.

We have updated Exhibit 32 to revise our restrictions on how and under what conditions Seller/Servicers can disclose HVE data to loan applicants or Borrowers.

Loan Prospector

As noted above, HVE point value estimates can be accessed through Loan Prospector. Loan Prospector Feedback Certificates currently provide HVE valuation data together with non-HVE valuation-related data. Freddie Mac will be adding language to the Feedback Certificate that includes a disclaimer and clarifies that Freddie Mac is the provider of the property value estimate, that the data was generated through the use of HVE and that the lender may have used a different property value to make the credit decision. We will also provide supporting text for use in situations where an appraisal is required or is not required for the lender’s credit decision. The supporting text will include a reference to a new consumer web page that Freddie Mac is developing where Borrowers will be able to find information about Freddie Mac property valuation data.

Until Loan Prospector is updated to include the supporting text, Sellers and other Loan Prospector Users should refer to our new [Using Freddie Mac Property Valuation Data](#) web page for information when a Seller is providing valuation information to loan applicants or Borrowers.

For system-to-system users, we are providing two additional options:

- Sellers can find instructions on our [Using Freddie Mac Property Valuation Data](#) web page that include guidance on the specific HVE property valuation data fields to be extracted from the other Loan Prospector data as well as supporting text, including reference to our new consumer web page. This will allow Sellers to customize the disclosure of valuation information that is provided to loan applicants or Borrowers if they choose this approach.
- Freddie Mac will be publishing a valuation style sheet that will provide technical instructions to allow Sellers to update their systems to isolate the HVE property valuation data for use when sharing with loan applicants or Borrowers. System-to-system users will be notified when this new valuation style sheet is available.

Note: This will not replace the existing Loan Prospector Feedback Certificate, but instead will be an additional option when the Seller provides Freddie Mac valuation information to loan applicants or Borrowers.

Finally, Sellers that access HVE point value estimates using the “Look-Up HVE Value” tool for Relief Refinance Mortgages – Same Servicer should include the supporting text located on our [Using Freddie Mac Property Valuation Data](#) web page when providing the HVE data to loan applicants or Borrowers.

Uniform Collateral Data Portal® (UCDP®)

In the UCDP, Freddie Mac provides Sellers with proprietary property valuation information and messaging from HVE.

In the future, Freddie Mac will be modifying a feedback message to clarify that the provider of the property value estimate is Freddie Mac and that the data was generated through the use of HVE and does not indicate Freddie Mac's acceptance or rejection of the property or appraisal report submitted to the UCDP. The supporting text will also include a reference to our new consumer web page where Borrowers will be able to find information about Freddie Mac property valuation data.

Until the feedback message is updated in the UCDP, Sellers should include the pertinent supporting text located on our [Using Freddie Mac Property Valuation Data](#) web page if UCDP reports containing valuation information are provided to applicants or Borrowers.

For system-to-system users that choose to extract data for customized disclosure purposes, it is their responsibility, in conjunction with their legal and compliance resources, to determine whether and to what extent they are required to disclose data found within the UCDP. If a Seller discloses Freddie Mac's valuation data in a customized disclosure form, the Seller should refer to our [Using Freddie Mac Property Valuation Data](#) web page for the supporting text and data field definitions that should be provided to loan applicants or Borrowers as part of the Seller's obligation to comply with the revised valuation disclosure requirements.

Relief Refinance Mortgages – HVE documentation requirements

Effective immediately

We are revising the HVE documentation requirements to provide more flexibility. We no longer require a defined format for HVE point value estimate documentation; however, a Seller must be able to provide such documentation to Freddie Mac upon request to evidence compliance with the HVE requirements.

Guide Sections A24.3, *Requirements for Freddie Mac Relief Refinance MortgagesSM – Same Servicer*, B24.3, *Requirements for Freddie Mac Relief Refinance MortgagesSM – Open Access*, and C24.3, *Requirements for Freddie Mac Relief Refinance MortgagesSM – Same Servicer with LTV Ratios Less than or Equal to 80%*, have been updated to reflect this change.

SERVICER GUIDANCE AND REQUIREMENTS

BPOdirect

Servicers may determine the value of the Mortgaged Premises by obtaining an Auto Value (HVE point value estimate) or BPO through BPOdirect. BPOdirect is only offered via a graphical user interface (GUI). Servicers also may receive HVE property valuation data through an authorized distributor or reseller.

Auto Value

An Auto Value (HVE point value estimate) is available in BPOdirect. We will update the screen that contains the Auto Value with supporting text for use when the Auto Value is provided to a Borrower as part of a Servicer's obligation to comply with the revised valuation disclosure requirements. The supporting text will include a reference to our new consumer web page where Borrowers will be able to find information about Freddie Mac property valuation data.

Until BPOdirect is updated with the supporting text, Servicers should include the disclosure language located on our [Using Freddie Mac Property Valuation Data](#) web page when providing this valuation information to Borrowers.

Servicers should also review the revisions to Exhibit 32 relating to how and under what conditions Servicers can disclose HVE data.

BPOs

BPOs are available in BPOdirect. In the future, we will update the BPOs provided through BPOdirect with supporting text for use when the property valuation information is provided to Borrowers (including a reference to our new consumer web page).

Until BPOdirect is updated, Servicers should include the supporting text located on our [Using Freddie Mac Property Valuation Data](#) web page when providing this valuation information to Borrowers.

Providing valuation data to Borrowers

We have updated the Guide to require Servicers to provide valuations and any pertinent notices as required under applicable law, regardless of whether it is the Servicer, Freddie Mac or both that makes an evaluation decision for a relief or workout option. When Freddie Mac participates in the evaluation decision, the Servicer will be required to send the valuation on behalf of Freddie Mac. The methods by which the Servicer may provide this valuation to the Borrower are described in Section 65.39, *Obtaining a Property Value*.

Mortgaged Premises valuation requirements for modifications

We are revising our Mortgaged Premises valuation requirements for Home Affordable Modification Program (HAMP) modifications, Freddie Mac Standard Modifications and Freddie Mac Streamlined Modifications as follows:

- Revising the property valuation documentation requirements
- Requiring Servicers to either obtain a property valuation from one of Freddie Mac's HVE distributors or through the BPOdirect web site at <https://www.bpodirect.com/>
- Expanding eligibility of the HVE property valuation option to include 2-unit properties
- Discontinuing the Automated Valuation Model (AVM) special report that is currently available on Freddie Mac's web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html

We also are updating the Guide to emphasize that property valuation information must be maintained and accurate information must be submitted when obtaining a property valuation through BPOdirect or HVE and that Servicers must use an automated property valuation (Auto Value (HVE)) in BPOdirect when one is available.

Sections B65.16, *Property Valuation Requirements*, and C65.6(e), *Property Valuation Requirements*, have been updated to reflect these changes.

ADDITIONAL RESOURCES AND TRAINING

Sellers and Servicers can find additional resources regarding these changes at our new [Using Freddie Mac Property Valuation Data](#) web page.

Sellers and Servicers are also encouraged to visit [Freddie Mac's Learning Center](#) for current information on related Freddie Mac training programs and reference tools.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 7, A24, B24, C24, 57, 65, B65 and C65
- Exhibit 32

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

A handwritten signature in black ink that reads "Laurie A. Redmond". The signature is written in a cursive style with a light gray shadow effect behind the text.

Laurie A. Redmond
Vice President
Offerings Effectiveness