Preparing for the New GSE Initiative

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Not to be outdone by the Federal Regulators, FannieMae and Freddie Mac on December 16th 2010 published further guidance and information on the UMDP (Uniform Mortgage Delivery Program) and FannieMae/FreddieMac's UAD (Uniform Appraisal Dataset). These changes will affect how and when appraisals are submitted to the Government Sponsored Entities (GSEs), as well as change how an appraiser completes an appraisal report. Below is a communication highlighting a few points regarding UMDP and UAD:

1. Overview of UMDP
2. UCDP Timelines
3. UAD – standardization on Appraisal Reports
4. How is ARC preparing for these initiatives?

ARC has provided the actual document on our website for reference purposes and for your review or you can go to www.efanniemae.com .

UMDP (Uniform Mortgage Delivery Program)

FannieMae and Freddie Mac have been discussing the idea of electronic delivery of appraisals for close to two years at the request of FHFA (Federal Housing Finance Agency). Under the direction of FHFA, the GSEs are seeking to enhance the quality of the mortgages they purchase by collecting and evaluating loan-level data from originators and sellers. This loan-level data will now include appraisal and property data.

UMDP has two components – Uniform Collateral Data Portal (UCDP), Uniform Appraisal Dataset (UAD)

UCDP (Uniform Collateral Data Portal)

Timelines –
    June 1st 2011 - UCDP Available
    September 1st 2011 – Appraisals to be completed using UAD
    December 1st 2011 - UCDP required – for all loan applications beginning December 1st 2011

UCDP is essentially a web portal the GSEs will require appraisals to be delivered to prior to loan delivery. The portal will allow the lender or lender's designee (e.g. ARC) the option of choosing who to submit the appraisal to - Fannie Mae, Freddie Mac or both. The portal will return a 10-digit Doc ID, hard stop checks and a submission summary report. The hard stop checks would require the lender or lender's designee (e.g. ARC) to correct the appraisal and re-submit the appraisal with the same 10-digit Doc ID back through the portal for final acceptance.

Appraisals will need to be submitted to the UCDP in an XML format. Currently the GSEs have approved four different XML formats – AI Ready Format, MISMO 2.6, MISMO2.6 extended, and ACI format. GSEs will also allow a first generation PDF to be submitted to the portal. There is no charge for the XML submissions; however a fee would be incurred for PDF submission. Currently ARC is able to process both the AI-Ready XML version and PDFs.

Appraisal data submitted to the portal from lenders or their designees would be done via a manual submission manner or a direct integration process. A manual submission process would require the lender or lender's designee to have an individual manually upload each appraisal report, accept back the 10 digit Doc ID, store the submission summary report and manage any hard stop checks requiring corrections. ARC will have access to the direct integration alternative.

The lender must submit to the GSE or their correspondent the UCDP Doc ID code within their loan delivery file.

UAD (Uniform Appraisal Dataset) - Effective September 1st 2011

As of December 16th 2010 FannieMae and FreddieMac have produced new guidelines about what an appraiser should enter in a particular field on the appraisal.   Approximately 60 fields will be affected in the following forms: (FannieMae Forms 1004, 1073, 1075 and 2055) (FreddieMac Forms 70, 465, 466, 2055).

These new requirements range from simple format requirements (e.g. numeric versus text) to new ratings for the condition and quality of the subject property and comparables. Condition and quality ratings will be on a 1-6 scale. FannieMae and FreddieMac are working with the appraisal forms providers to make sure everyone is on the same page by September 1st 2011. Having appraisers and appraisal forms vendors provide information in a similar format will be the basis for the success of the UCDP.

Starting September 1st, 2011 appraisers not using the updated forms, submitting erroneous information in a required field, or not having the capability of submitting in an XML approved format will only create increased errors, cost and hard-stop checks with UCDP (web portal).

How is ARC preparing for these initiatives?

XML Delivery –We have the capability of providing this requirement to any client at this time. Currently 40% of our appraisals are delivered in a GSE XML approved format because of client preference. Starting August 15th 2011 it is ARC's intention to require all appraisals be delivered in an XML approved format. ARC will store both an XML and a PDF version of the appraisal report thus allowing our clients to choose.

UCDP Connection – Once UCDP is available, ARC will have the necessary automated connection to upload an appraisal file, store and communicate the 10-digit UCDP Doc ID and store and communicate the submission summary report

UAD (Uniform Appraisal Dataset) – As of September 1st 2011, our automated rules set engine will incorporate the updated UAD requirements, therefore minimizing corrections and re-submissions at the UCDP (web portal)

We will continue to update you on these major process and delivery changes regarding appraisal timelines or policies and also provide any updates to how we prepare for these initiatives. We appreciate your business and would be happy to discuss anything mentioned in this communication with you at your convenience.