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THINGS YOU NEED TO KNOW ABOUT DELIVERING APPRAISALS TO FANNIE MAE AND FREDDIE MAC

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1. THE DIFFERENCE BETWEEN UAD AND UCDP

UAD stands for Uniform Appraisal Dataset, and is a component of the Uniform Mortgage Data Program (UMDP). UCDP is the Uniform Collateral Data Portal, and is also a component of the UMDP. While these programs will work in conjunction with each other, there are distinct differences in the programs and the requirements.

The GSEs define the UAD program as:

> *All fields required for an appraisal submission for specific appraisal forms and standardizes definitions and responses for a key subset of fields.*

The UAD-compliant file can be delivered in either a PDF or an XML file. However the UAD program DOES NOT need to be delivered in an XML format. The MISMO 2.6 XML file is required for the UCDP, although you can submit a PDF file to the portal and the information can be extracted into an XML file for a fee.

The GSEs define UCDP as:

> *A single portal for the electronic submission of appraisal data files. Lenders will be required to use the UCDP to submit electronic appraisal data files that conform to all GSE requirements, including the Uniform Appraisal Dataset (UAD) when applicable, before the delivery date of the mortgage to Fannie Mae and Freddie Mac.*

The general UAD process will be driven by the appraisers. The appraiser will be responsible for delivering the appraisal file in the required UAD format. The delivery to the portal will be driven by the lender. The lender can deliver the file to the GSEs, or have an Appraisal Management Company (Agent) deliver the file on their behalf.

Both programs will work in coordination with the overall UMDP, as designed by the GSEs:

Through the UAD and UCDP, lenders will have a GSE-consistent approach and understanding of appraisal definitions and requirements and a common portal for submitting appraisal data files. This critical appraisal data standardization effort will:

- *Provide lenders with greater confidence in loan quality by offering enhanced appraisal data quality and integrity checks.*

- *Create efficiency and consistency in appraisal reviews by offering appraisers and lenders an improved view and understanding of GSE appraisal data requirements.*

- *Support processes to manage and mitigate valuation risk by resolving inconsistencies with appraisal data, including formatting, terminology, and use of specific description*

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2. DELIVERABLES FOR THE UMDP DATES

There are three major milestone dates for the UMDP, as defined by the GSEs:

September 1, 2011 (appraisal effective date): Appraisals must comply with the UAD data standardization requirements.

As of September 1, 2011, all appraisals must be compliant with UAD. The appraisal file does not need to be in the XML format, it just needs to follow the rules and guidelines of the UAD. The appraisal forms that are in effect for UAD are:

- Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70)
- Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073/ Freddie Mac Form 465)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report
(Fannie Mae Form 1075/Freddie Mac Form 466)
- Exterior-Only Inspection Residential Appraisal Report
(Fannie Mae Form 2055/Freddie Mac Form 2055)

December 1, 2011 (loan application date): Lenders must deliver full UAD-compliant electronic appraisal report data (if appraisal required) and expanded loan delivery data.

As of December 1, 2011, the Uniform Collateral Data Portal (UCDP) will only accept order UAD compliant forms.   Any appraisal submissions on these forms not completed using a UAD-compliant form, will receive a "Not Successful" submission status in the UCDP, if the appraisal effective date is on or after December 1, 2011.

***Note that the December 1, 2011 date applies only to the functionality of the UCDP and does not change the requirement that all appraisals with effective dates on or after September 1, 2011 must be UAD-compliant.

March 19, 2012 (loan delivery date): Lenders must deliver fully UAD-compliant electronic appraisal report data (if appraisal required), and loan delivery data must be provided in industry-standard ULDD format (unless manually entered in Loan Delivery)

Appraisals for all conventional mortgages delivered to the GSEs on or after March 19, 2012, must be submitted to the UCDP prior to the delivery date of the mortgage - if an appraisal report is required, and the loan application is dated on or after December 1, 2011.

In addition to the UAD compliant forms, the following need to be delivered in the MISMO 2.6 XML format:

- Manufactured Home Appraisal Report (Fannie Mae 1004C/Freddie Mac Form 70B)
- Small Residential Income Property Appraisal Report (Fannie Mae 1025/Freddie Mac Form 72)
- Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)
- Exterior-Only Inspection Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)

***Note the U.S. Department of Housing and Urban Development (HUD), effective date has been pushed back to January 1, 2012 for all appraisals performed on HUD real estate owned (REO) and pre-foreclosure sale (PFS) properties.

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3. WHAT IS NEEDED FOR UAD

In order to be compliant with UAD, the appraiser must deliver the appraisal report following the guidelines set forth by the GSEs:

The UAD standardizes certain data points to support consistent appraisal reporting, regardless of geographic location of the property or any localized reporting conventions, by addressing vague or disparate data currently included on some appraisal reports, such as:

- *Variations in formatting numbers, dates, and measures*
- *Inconsistent terminology for identical information (such as waterfront vs. oceanfront)*
- *Inconsistent use of descriptions (for example, quality of construction is sometimes reported in absolute terms such as "brick" and sometimes in relative terms, such as "average")*

To address these inconsistencies, the UAD standardization includes:

- *Standardized formats for fields that include dates, values, etc.*
- *Allowable values from a list of choices provided for certain fields*
- *Standardized abbreviations to allow more information to fit on the printed appraisal forms*
- *Standardized ratings and definitions for the "Condition" and "Quality" of the property and "Updated/Remodeled" status*

To be fully prepared for UAD, make sure that you:

- Work with AMC(s) and appraiser providers to help ensure adoption of UAD compliant software.
- Take the time to train you staff on UAD standards. You can accomplish this by:

    o Require a completion of the GSEs UAD online tutorial.

    http://fanniemae.articulate-online.com/ContentRegistration.aspx?DocumentID=77856aa3-4df3-4e13-895b-4e71b79a7ed7&Cust=77787&ReturnUrl=/p/7778730514

    o Have your underwriters attend the UAD webinar.

    https://fanniemae.webex.com/ec0605lc/eventcenter/event/eventAction.do?theAction=listevents_program&siteurl=fanniemae

    o Attend a UAD Question & Answer webinar this will allow you to get your questions answered and raise any concerns you may have.

    https://www.efanniemae.com/lc/webseminars.jsp?from=hp

We also have a recorded webinar at http://globaldms.com/uad or you can call 877-866-2747 x 2 with any questions or email us at uadexperts@globaldms.com

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4. HOW TO BE SURE YOU ARE UAD COMPLIANT

UAD compliance will start with the appraiser. Ensure that your appraisers are using a UAD-compliant software. The following appraisal form vendors have notified the GSEs that they have recently completed software updates to meet the UAD standards: a la mode, ACI, SFRep, Bradford Technologies, HomePuter, and Global DMS. As per requirements, any UAD compliant form from any of the above vendors will have state that it is a UAD form.

Having a system like OASIS by Global DMS in place to automate the validation process can allow for a smooth transition in working with the GSEs. If you did not have a system to automate the process, you need to have a clear communication of what the process will be for all parties involved. Here are some steps to get ready:

- **How will the appraiser be delivering the appraisal?**

Keep in mind that a UAD appraisal does not have to be delivered in an XML format, but it may make it easier for the process later on.

- **How will your appraisals be verified against the GSE rules?**

This process can be done by a manual review or automated. If you are going to manually review the file, there are a number of resources available through the GSEs to assist in understanding the changes to the UAD forms vs. the traditional forms. The resources cover not only what changes and updates are being made to the forms, but also the UAD Compliance Rules which will show exactly what the GSEs are looking for.

If you are going to automate the review process, you can use a system like MARS by Global DMS. MARS will allow you to run a review of all of the UAD rules (as well as any other rules you would like) on either a PDF or the native MISMO XML 2.6 file. If the appraiser uploads a PDF, the system will extract the information from the PDF and convert it into a MISMO 2.6 XML file.

- **When the appraiser uploads the file and it needs a revision, how will your process handle the extra time needed if the issue is not found until the file is submitted to the GSEs?**

The easiest way to minimize time for revisions, is to let the appraiser know what the problems are, before the file is even delivered to you. The appraiser will be able to validate the file in their software before sending it over, but this will not guarantee that there will not be an issue. MARS will allow you to have the rules run on the file before the appraiser can upload it, and notify the appraiser that there are issues. This will allow the appraiser to make the revisions or make a note as to why the issue exist, before the file is sent to.

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5. REGISTRATION FOR UCDP

Lenders

In order to deliver to the Uniform Collateral Data Portal, you will need to register with either one or both GSEs.

The steps involved in registering are defined on the GSEs websites:

1. Designate an individual from your organization to serve as your primary lender administrator (admin). The primary lender admin and any additional lender admins are the only individuals who will be registering directly with the GSEs.

2. Complete each GSE's unique registration process for your lender admin(s) using the appropriate forms on each GSE's Web site.

3. Determine if you plan to work with a lender agent such as an Appraisal Management Company (AMC) or outsource provider. If so, the lender agent must also complete the UCDP lender agent registration process to request a UCDP account and to appear on the lender agent list in UCDP.

Lenders can register at:

Freddie Mac

http://www.freddiemac.com/sell/secmktg/pdf/getting_reg_ucdp.pdf

Fannie Mae

https://www.efanniemae.com/sf/technology/accountmanage/ucdp.jsp

Lender Agents

Lender agents are third party entities that can upload appraisals on the lender's behalf to the UCDP. Lender agents must complete the UCDP lender agent registration process to request a UCDP account, and to appear on the lender agent list in the UCDP. The lender agent list allows lenders to identify and authorize lender agents to upload appraisals to the UCDP. Each lender agent is required to register with both Freddie Mac and Fannie Mae, because the lender agent list is common to the GSEs.

Agents can register at:

Freddie Mac:

http://www.freddiemac.com/sell/secmktg/ucdp_lenderagent_form.html

Fannie Mae:

https://www.efanniemae.com/sf/technology/accountmanage/ucdplenderagent.jsp

Agents only register at one site Separate forms are NOT needed for each GSE or for each lender.

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6. HOW TO DELIVER UAD COMPLIANT XML FILES

In order to confirm that the appraisals submitted to UCDP are compliant, the file will go through a series of checks, including a UAD Compliance Check. Appraisals that pass all checks will receive a "Successful" status from the portal. Before the requirement dates, the UAD Compliance Check will result in warning messages only, and will not affect the successful submission of appraisals to the portal. Eventually, the UAD Compliance Check may result in errors that require that appraisals be corrected by the appraiser and re-submitted to UCDP. Loans delivered to either GSEs must have an appraisal with a "Successful" status in UCDP prior to loan delivery.

There are two ways to access the UAD Compliant XML file to deliver to the portal:

1. Have the appraiser deliver the XML file directly for their software

In most cases, the appraiser can deliver the XML file directly to the lender or lender agent for delivery. Once the appraiser completes the appraisal, they will be able to export the information from their software into both a PDF and MISMO XML file. Alamode and Bradford software will have the ability to export to the MISMO 2.6 XML file. ACI software will be able to export ACI XML which is on the GSEs approved list for delivery. If an appraiser does not have an updated software platform or is having issues, they are able to logon to www.appraiseanywhere.com where they can access the free Global DMS WebForms. Appraiseanywhere.com will allow appraisers to complete a UAD appraisal, which they can then export to a PDF or MISMO 2.6 XML.

2. Extract the information from the PDF and convert it to an XML file

If the appraiser delivers the appraisal in a PDF format, you can extract the information into an XML file. Veros is offering the ability to do the extraction through the portal using ACI's extraction technology. According to an article on www.housingwire.com titled The slow death of the appraisal.pdf, the pricing will start at $3.50 and can go as high as $18 per appraisal. Global DMS's MARS technology can also extract the information into a MISMO 2.6 XML file. The cost is free for companies using Global's valuation management software, or $1 through the standalone product Global Kinex www.globalkinex.com.

There are also two different ways to deliver to the Uniform Collateral Data Portal

1. Directly deliver of file to the portal at www.uniformdataportal.com

Once you receive the appraisal file for delivery, the lender (or lender agent) can deliver directly to the portal. This manual process will allow you to submit appraisals one at a time for review.

2. Use an approved technology vendor that enables the submission of electronic appraisal data to UCDP

The GSEs have worked together to compile a list of approved vendors to allow direct integration to the portal. The approved list can be found here. You can also find out more information at www.globalkinex.com. Global Kinex can work as a standalone product or integrate into an existing system. Kinex will automate the delivery process and communication to the GSEs.

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7. WHAT IS THE XML FILE

What is XML?

Extensible Markup Language (XML) is an open standard format used for exchanging structured documents and data. It allows for easy data processing and exchange between different applications.

What is MISMO Appraisal XML?

MISMO was created to promote and support the common business interests of the Commercial and Residential Mortgage Markets. MISMO has identified two deliverables that will enable the mortgage industry to share data among trading partners: An XML architecture that encompasses data origination, secondary market and servicing data, and a data dictionary to provide business definitions and corresponding architecture data element tag names.

What are the supported formats for delivery to the UCDP?

Either an XML data stream (output from appraisal forms software) with an embedded first-generation PDF file or a first-generation PDF file without the corresponding XML data must be submitted to the UCDP. The following list includes the XML formats that are supported in the UCDP for the four UAD forms:

- MISMO2.6 Errata 1 GSE Extended format (preferred format)
- ACI format
- AI Ready format

The following list includes the XML formats that are supported in the UCDP for the non-UAD forms:

- MISMO 2.6 Errata 1 format
- MISMO 2.6 Errata 1 GSE Extended format
- ACI format
- AI Ready format

What is an embedded first-generation PDF file?

The XML file can embed code that will contain the full PDF that that includes all appraisal exhibits, addenda, and photographs, including the Freddie Mac Form 71.

Can I view the embedded PDF file?

Global Kinex www.globalkinex.com will have a viewer that will allow you to view the PDF file as well as extract the code and compile it into a full PDF if needed.