



Collateral Underwriter

Frequently Asked Questions

November 2024

Collateral Underwriter® (CU®) is a proprietary appraisal risk assessment application developed by Fannie Mae to support proactive management of appraisal quality. Details and training resources are provided on the [CU webpage](#).

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Getting Started

Q1. What types of feedback does CU provide?

CU issues flags and messages that signal heightened risk of Overvaluation, Undervaluation, Appraisal Quality, and Property Eligibility and Compliance issues. When the Overvaluation or Undervaluation flags are issued, a single overvaluation or undervaluation reason code message representing the strongest statistical correlation to the risk will also be displayed. The Appraisal Quality flag and the Property Eligibility and Compliance flag may each display multiple messages.

Q2. How is CU feedback provided?

1. Real-time feedback in UCDP: The CU risk score, flags, and messages are provided in real time after an appraisal is submitted to Fannie Mae through the Uniform Collateral Data Portal® (UCDP®) on the Fannie Mae tab and the UCDP Submission Summary Report. The CU feedback is also available for display in Desktop Underwriter® (DU®) and EarlyCheck™ when the Doc File ID (assigned on appraisal submission to the UCDP) is included in each application.

2. CU web-based user interface: For in-depth appraisal analysis, the full CU web application is available to Fannie Mae sellers, non-seller correspondent lenders, and lender-approved mortgage insurers via a web-based user interface (registration required). Use the CU web application to segment appraisals by risk profile for efficient workflow management and resource allocation. CU provides free access to a comprehensive suite of research tools including comparable sales data, mapping with aerial imagery, market trends, public records, dynamic local market conditions, powerful analytics, and more.

NOTE: *It is critical that lenders obtain proper training for use of the CU feedback. Training is available via eLearning courses and webinars posted on the [CU webpage](#).*

Other UCDP users that are not Fannie Mae sellers or correspondents, including appraisal management companies (AMCs) that have UCDP access as Lender Agents, can view the CU risk score, flags, and messages in UCDP but do



not have access to the web-based application. Lenders may give their mortgage insurance (MI) partners access to appraisal-specific data by providing the Doc File ID generated at the time of appraisal submission, the property ZIP code, and the appraised value.

Q3. Is use of CU mandatory for Fannie Mae sellers?

No. Fannie Mae strongly encourages lenders to utilize the CU web-based application for in-depth appraisal analysis, but use of CU is not required. Review the available training and other resources for more information about the benefits of the CU feedback.

Q4. Is there a fee for CU?

No. Fannie Mae developed CU with the primary objective of improving appraisal quality and collateral risk management for Fannie Mae and its lender partners. To help lenders more effectively and efficiently identify issues with appraisals, CU is available at no cost as one more value-add risk assessment tool for our lenders.

Q5. Is technology integration required to use CU?

No. The CU web-based application is accessed through a URL with no technology integration required.

Q6. May a lender share access credentials for UCDP and/or CU with a trusted service provider?

No. For data security and business reasons, Fannie Mae technology usage terms do not allow lenders to share technology application credentials with third parties. Also, note that the legal terms regarding CU and UCDP found in the Single-Family Shipping & Delivery Applications Schedule of the Fannie Mae Software Subscription Agreement prohibit Licensees from:

- Using the licensed application in a manner that interferes with the independent judgment of an appraiser;
- Providing access to CU's web-based user interface to third parties (including AMCs and appraisers); and
- Providing copies or displays of Fannie Mae reports that contain CU findings to AMCs and appraisers. (Note that AMCs who are registered to use UCDP as Lender Agents will see the CU risk score, flags, and messages available through UCDP.)

Q7. Because lenders are prohibited from providing copies or displays of reports that contain CU findings to appraisers and AMCs, can they still use Lender Agents to submit to UCDP on their behalf?

Yes. Lender Agents who submit appraisals to UCDP on behalf of their lender clients have access to the CU findings through the Fannie Mae tab in UCDP, on the Submission Summary Report (SSR), or through a direct integration with UCDP if applicable. Both lenders and Lender Agents acting on lenders' behalf are prohibited from distributing the CU Print Report or the SSR, making demands of, or providing instruction to AMCs/appraisers based solely on the CU automated output, or using CU to interfere with the independent judgment of the appraiser. (See Q26 for information about how to use CU findings to interact with appraisers.)

NOTE: A lender using a Lender Agent such as an AMC is fully responsible for compliance with Fannie Mae's requirements, just as if the appraisal review had been done in-house, and must have policies and procedures in place to review compliance by the lender's third-party agents.

Q8. What CU training is available?



Training information and other implementation details are provided on an ongoing basis, including eLearning training courses, job aids, FAQs, and other resources to support implementation and use of CU. (See the [CU webpage](#).)

How to Use CU

Q9. **How should lenders use CU?**

CU allows lenders to segment appraisals by risk profile, facilitating efficient workflow management and resource allocation. CU also helps lenders reduce time spent on appraisal review, leading to fewer, but better-informed, requests to appraisers. The dynamic and interactive functionality in CU provides access to comparable sales data, mapping with aerial imagery, market trends, public records, local market conditions, and more – all in one free application. Appraisal feedback at the point of submission enables lenders to proactively address potential issues and improve the overall quality of loans delivered to Fannie Mae. Important points about using CU successfully include:

- Users must understand the limitations of automated analysis and be aware of potential property or neighborhood nuances.
- CU is effectively predictive of appraisal defects, but not all influences on value can be modeled.
- Well-informed human judgment should take precedence over automated results.
- Lenders are not expected to utilize the full CU functionality and information available in the CU user interface on every appraisal.
- The various CU tools can be used to validate or dismiss potential red flags.
- Fannie Mae does not instruct or suggest to lenders that they ask the appraiser to address all or any of the 20 comparables that are provided by CU for most appraisals. (See Q9.)
- Users should carefully review the appraisal report before seeking additional clarification from the appraiser based on CU findings.
- The risk analysis performed by CU is for use by the lender in that lender’s analysis of the appraisal report; information may be shared with the appraisers in proper context upon completion of the lender’s due diligence review. (See Q25.)

It is very important to take advantage of CU training to understand how to use the CU findings.

Q10. **Are lenders and appraisers expected to address all 20 alternative comparable sales that may be identified by CU?**

No. CU generates up to 20 alternative comparables for the purpose of providing context for the appraisal report reviewer. Fannie Mae’s expectation is not that all alternatives be addressed or that only the CU top-ranked comparables be used. A lender may examine the alternative comparables in the course of reviewing an appraisal report to determine if their use may result in a different conclusion about value from that provided by the appraiser.

Q11. **What is meant by a “CU risk score”?**

CU provides a numerical risk score from 1.0 to 5.0, with 1 indicating the lowest risk and 5 indicating the highest risk. Risk flags and messages identify risk factors and specific aspects of the appraisal that may require further attention..

Q12. **Will Fannie Mae purchase loans that receive high CU risk scores and/or risk flags?**



Yes. High CU risk scores can be considered warnings but do not preclude lender delivery of the loan to Fannie Mae. It is highly recommended, however, that lenders perform appropriate due diligence on appraisals with a high CU risk score and/or risk flags prior to loan delivery.

Q13. What should lenders do if they see differences between the CU results and results from other appraisal review tools?

Fannie Mae provides CU to our lenders to use independently or in conjunction with other tools they deem appropriate for their business processes. Lenders that deliver loans to Fannie Mae are responsible for reviewing appraisals to confirm that they meet our policy guidelines, and must make their own decisions about review tools that meet their business needs and how to utilize the results.

Q14. Does the CU risk score impact the “Successful” submission status of the appraisal in UCDP?

Except for the hard-stop messages, the CU risk score, flags, and messages provide independent feedback on the appraisal for the submitter’s consideration and do not impact the submission status in UCDP. Unlike some UCDP and Fannie Mae Proprietary Messages that require action, CU messages do not need to be cleared. They simply highlight aspects of the appraisal that may merit further attention.

Q15. Are appraisals rescored when resubmitted to UCDP with corrections?

Yes. Upon resubmission, CU analyzes the revised appraisal as if it were a new appraisal. Depending on the nature of the revisions, the CU risk score, flags, and messages may or may not change. Note, however, that use of a manual override to clear a hard stop in UCDP would not result in any changes to the CU risk score.

Q16. Will Fannie Mae focus on appraisals that are resubmitted to UCDP multiple times during the post-purchase, QC-review process?

Fannie Mae relies on the final version of the appraisal submitted to UCDP for our post-acquisition QC processes, including AQM. We do not discourage nor is there any penalty for resubmitting a revised appraisal to UCDP. On the contrary, we encourage correction of errors and other enhancements to the quality of the appraisal report when warranted. Resubmitted appraisals are rescored by CU on their own merits, which can result in an improved risk profile. This can provide a number of benefits to the lender, including higher confidence in the appraisal, better loan manufacturing quality, and improved outcomes in our post-acquisition review process.

Q17. How does CU handle new construction?

CU does not treat new construction any differently than existing properties. Appraiser-provided comparables are ranked against a pool of alternative sales identified by the model based on a combination of physical features, location, and date of sale. The significance of each factor or property characteristic is model-derived and market-specific. If other nearby new construction sales are available, they will be considered for inclusion in the comparable pool, but CU will not select alternative sales simply because they are new construction. Location, date of sale, and physical features such as square footage, lot size, bathrooms, quality, view, etc., are also considered.

Q18. Does CU favor lower-priced comparables and encourage under-valuation?

No. Appraiser-provided comparables are analyzed by CU and ranked against a pool of available sales based on physical characteristics, location, and sale date. The sale prices of these comparables are not a factor in the ranking. High CU risk scores may be due to potential undervaluation, as well as potential over-valuation, or other factors. CU does not take a “lower is better” approach.



Q19. Does use of CU provide any waiver of selling representations and warranties, similar to the limited waiver of representations and warranties offered with use of Desktop Underwriter (DU)?

Fannie Mae offers enforcement relief on representations and warranties related to the property value for certain loan casefiles that are secured by a one-unit detached, attached, or condominium property. The enforcement relief is offered on loan casefiles that receive an Approve/Eligible recommendation from DU when the appraisal received a CU risk score of 2.5 or below. Lenders have the option to automate this feature using the CU integration with DU. If the Doc File ID and Appraised Value information are provided in DU, a message will be returned letting the lender know whether the loan casefile is eligible for the enforcement relief on representations and warranties related to property value.

Q20. Can CU feedback be provided on loans that may not ultimately be sold to Fannie Mae?

Yes. CU analyzes appraisals in UAD format on appraisal forms 1004 (Uniform Residential Appraisal Report) and 1073 (Individual Condominium Unit Appraisal Report). Since the ultimate disposition of the loan is not always known at the time of the appraisal, any appraisal in UAD format can be submitted to CU via UCDP.

CU Coverage

Q21. How much geographic coverage does CU provide?

CU is able to score over 99 percent of appraisals submitted from the 50 U.S. states and the District of Columbia. Properties in the U.S. territories cannot be analyzed.

Q22. Are there appraisals that do not receive a CU risk score?

Yes. Coverage may vary from market to market, but CU is able to score over 99 percent of appraisal submissions nationwide. The inability to geocode the subject property or an inadequate number of appraiser-provided comparables will result in an unscored appraisal (“999”). A scarcity of alternative sales observations may also cause an unscored appraisal. CU is unable to geocode properties in the U.S. territories (Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands), resulting in a null score. Connectivity issues between UCDP and CU are another potential cause of null scores.

In some cases when the address is not yet recognized by the geocoding service, CU may be unable to geocode new construction. When CU is unable to provide a risk score, a message to that effect will be displayed. (For details about CU messages, see the eLearning course [Understanding the CU Risk Score, Flags, and Messages](#) or the [CU User Guide](#) [access to CU is required to view the User Guide].)

NOTE: CU only analyzes appraisals in Uniform Appraisal Dataset (UAD) format on appraisal forms 1004 (Uniform Residential Appraisal Report) and 1073 (Individual Condominium Unit Appraisal Report). Appraisals submitted on other forms, including the following, are not analyzed: Form 2055, Exterior-Only Inspection Residential Appraisal Report; Form 1075, Exterior-Only Inspection Individual Condominium Unit Appraisal Report; Form 1004C, Manufactured Home Appraisal Report; Form 1025, Small Residential Income Property Appraisal Report; Form 2090, Individual Cooperative Interest Appraisal Report; and Form 2095, Exterior-Only Inspection Individual Cooperative Interest Appraisal Report.

Q23. How does CU handle properties in rural locations?

CU leverages the appraisal data submitted through UCDP, which provides robust nationwide coverage including areas where it may have been difficult historically to obtain data. Because of lower sales density in rural areas, it



may be necessary for the appraiser to select sales from a greater distance and further back in time than in areas with higher sales density and more homogeneous housing stock. CU compares the appraiser-provided comps against a pool of observed sales transactions in the subject market and not against arbitrary, “rule of thumb” guidelines. CU will not provide a high-risk score solely because the comparables are dated, located several miles away, or require significant adjustment from the appraiser. If CU’s comparable selection model finds the appraiser-provided comparables to be the best available, the appraisal will likely receive a low-risk score if no other potential issues are detected.

Appraiser Considerations

Q24. Do appraisers have access to CU?

No. Appraisers do not have access to CU. CU was developed as an appraisal review tool for internal analysis and is now available to Fannie Mae lenders for review of appraisals they have submitted through UCDP. CU will review an appraisal only after it is submitted to UCDP, which then triggers the model that includes appraisal data to perform an analysis. CU does not function as an independent property database that allows users to enter an address and receive associated data. Appraisers are welcome to use the resources on the CU web page, including viewing the recorded on-demand trainings.

Q25. Does Fannie Mae provide information about CU to appraisers and AMCs?

Fannie Mae’s appraisal policy and strategy teams regularly communicate with the appraisal community through participation in industry events and outreach to key industry groups. Information about our efforts to improve appraisal quality has been shared with the appraisal industry for the past few years, dating back to 2008 when we initiated appraisal data standardization efforts. Information about CU has been provided to the appraisal community, and Fannie Mae invites appraisers and AMCs to leverage our training resources to learn more about CU.

Q26. How should lenders use CU findings to inform conversations with appraisers?

Fannie Mae expects lenders to use human due diligence in combination with the CU findings, and will actively follow up with lenders who ask appraisers to change their reports based on CU findings without any further due diligence by the lender. Fannie Mae encourages lenders to carefully review the appraisal report, including all commentary, before seeking clarification from the appraiser. Taking messages or alternative sales at face value and simply asking your appraiser to address them is neither effective nor efficient. After completing a thorough review, lenders should be able to have constructive dialogue with appraisers if needed to resolve specific appraisal questions or concerns. Specific information from CU may be shared with an appraisal management company (AMC) or appraiser, with appropriate context, but the legal terms and conditions for CU prohibit:

- Using the licensed application in a manner that interferes with the independent judgment of an appraiser;
- Providing access to CU’s web-based user interface to third parties (including AMCs and appraisers); and
- Providing copies or displays of Fannie Mae reports that contain CU findings to AMCs and appraisers. (Note that AMCs who are registered to use UCDP as Lender Agents will see the CU risk score, flags, and messages available through UCDP.)

Q27. Does the use of CU as an appraisal review tool by Fannie Mae lenders result in more work for appraisers, who may be asked to make changes based on the CU findings?

Fannie Mae’s current requirements and expectations for lenders have not fundamentally changed. The Fannie Mae *Selling Guide* states in [Section B4-1.1-02: Lender Responsibilities](#) that the lender is responsible for (among



other requirements) “ensuring the appraiser has utilized sound reasoning and provided evidence to support the methodology chosen to develop the value opinion, particularly in cases that are not covered by Fannie Mae policy.” In the process of underwriting the appraisal, lenders should ask appraisers to provide any clarifications or updates required to satisfy the lender that Fannie Mae’s requirements are met.

A number of appraisal review tools are available in the market and in use by lenders. Appraisers also have access to much of the market data used in the course of appraisal review and can reasonably be expected to anticipate many questions that might arise, as well as to address them proactively in comments on the appraisal report. Appraisers that make a good faith effort to use the most similar comparables, provide accurate and consistent data, and support their adjustments with market data and analysis can generally expect a minimum of CU feedback that would cause a follow-up request from the reviewer. CU’s analysis may in some cases help the lender’s appraisal reviewers better understand the appraiser’s rationale and possibly reduce back and forth between the lender and the appraiser.

For additional discussion related to this topic, see [Lender Letter LL-2015-02, Appraisal Tools, Processes, and Policies.](#)