

# Value Acceptance (Appraisal Waivers)

## Frequently Asked Questions

Updated March 2023

Value acceptance (formerly, appraisal waiver) uses data and technology to accept the lender-provided value, allowing lenders to deliver loans for certain eligible transactions to Fannie Mae without an appraisal. Value acceptance offers are issued through Desktop Underwriter® (DU®) using Fannie Mae’s database of more than 61 million appraisal reports in combination with proprietary analytics from Collateral Underwriter® (CU®) to determine the minimum level of required collateral due diligence.

This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae *Selling Guide*. In the event of any conflict with this document, the *Selling Guide* will govern.

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## General

### Q1. How do lenders get access to value acceptance?

Value acceptance is available to all lenders who use DU, including through the Desktop Originator® (DO®) interface. No registration is needed.

### Q2. What is the difference between value acceptance versus value acceptance + property data?

Value acceptance + property data is value acceptance with the additional required step of obtaining a property data collection. See *Selling Guide* B4-1.4-11 Value Acceptance + Property Data for details.

### Q3. Is value acceptance available to correspondent lenders?

Yes. A correspondent lender may receive a value acceptance offer when submitting a loan casefile to DU. Correspondent lenders should contact their aggregators to discuss aggregator interest in delivering loans with value acceptance to Fannie Mae and to ensure the correspondent is obtaining the required collateral due diligence to meet aggregator guidelines.

### Q4. What are the eligibility requirements for value acceptance consideration?

The value acceptance offer will be considered on the transactions below:



- Loan casefiles that receive an Approve/Eligible recommendation
- One-unit properties, including condominiums
- Limited cash-out refinance transactions:
  - Principal residences and second homes up to 90% LTV/CLTV
  - Investment properties up to 75% LTV/CLTV
- Cash-out refinance transactions:
  - Principal residences up to 70% LTV/CLTV
  - Second homes and investment properties up to 60% LTV/CLTV
- Purchase transactions:
  - Principal residences and second homes up to 80% LTV/CLTV
  - Principal residences in “high-needs rural” locations identified by FHFA up to 97% LTV/105% CLTV (for borrowers at or below AMI), contingent on home property inspection
  - Recently constructed property (i.e., new construction that is 100% complete) when there is an existing “as is” prior appraisal for the subject property
- The following are **not eligible** for a value acceptance offer:
  - Texas 50(a)6 loans
  - When the lender has any reason to believe an appraisal is warranted
  - Construction and construction-to-permanent loans
  - Two- to four-unit properties, cooperative units, and manufactured homes
  - Transactions where either the purchase price or estimated value provided to DU is \$1,000,000 or more
  - HomeStyle® Renovation and Homestyle Energy loans
  - Leasehold properties
  - Community land trust homes or other properties with resale price restrictions, which include loan casefiles using the Affordable LTV feature.
  - DU loan casefiles that receive an ineligible recommendation
  - Loans for which rental income from the subject property is used to qualify
  - A transaction using a gift of equity

**Q5. Other than the requirements specified in the *Selling Guide*, are there any other considerations for offering value acceptance on a DU loan casefile?**

Yes. There are a few requirements not related to the loan product or terms that will prevent DU from offering value acceptance, including:



- The subject property address must include the street address, unit number if applicable, city, state, and ZIP Code.
- If a Doc File ID is provided (which indicates an appraisal was already obtained), value acceptance will not be offered.

**Q6. Are there prior appraisal requirements for value acceptance to be considered?**

For value acceptance to be considered, generally a prior appraisal must be found for the subject property in Fannie Mae's Collateral Underwriter (CU) data. When required, DU will compare the address for the subject property to the property addresses found in CU. When a property address match is found, DU will use the information from the prior appraisal to determine if the loan casefile is eligible for value acceptance. In some cases, the prior appraisal may not be acceptable. For example, if a CU Overvaluation Flag was issued on the prior appraisal or the appraisal could not be scored, that prior appraisal will not be used, and value acceptance will not be offered on the new loan casefile.

**Q7. Are rental or investor properties eligible for value acceptance offers?**

DU may offer value acceptance on loans secured by rental or investor properties when the rental income is not used to qualify borrowers for the loan. If rental income is used to qualify, the Single-Family Comparable Rent Schedule \_\_\_\_\_ is required. Because this form can only be completed in conjunction with an appraisal, DU will not offer value acceptance in those cases.

When rental income is not used to qualify, the lender can provide the alternative income documentation to document the rental income for lender reporting purposes (see [Selling Guide B3-3.1-08, Rental Income](#)). These alternatives do not require an appraisal, so value acceptance may be offered and accepted.

**Q8. Are value acceptance offers made on loan casefiles underwritten through Preliminary Findings?**

Yes. When the value acceptance offer was enhanced in December 2016, Desktop Originator® (DO®) users would only see the offer on loan casefiles underwritten using a sponsoring lender. Effective with DU Version 10.1, DO loan casefiles underwritten through Preliminary Findings are eligible for the value acceptance offer.

**Q9. Is there any lender-level reporting available for value acceptance loan casefiles?**

Lenders can obtain Day 1 Certainty® Pre-Delivery and Post-Delivery reports (DU Validation value acceptance (Appraisal Waiver) & Appraised Value Certainty Post-Delivery and DU Validation value acceptance (Appraisal Waiver) & Appraised Value Certainty Pre-Delivery) in [Fannie Mae Connect™](#). The reports provide a lender-level and responsible-party dashboard of Day 1 Certainty activity. The Pre-Delivery report provides loan-level detail on eligible refi loan casefiles that have received an offer to waive the appraisal. The Post-Delivery report provides loan-level detail for loans on which the lender received and exercised a value acceptance offer. The reports can be found in the Management section of the Report Center in Fannie Mae Connect.

## Process and Policy Requirements

**Q10. How does a lender know if value acceptance is offered on a loan casefile?**

As part of the risk analysis, DU assesses the reasonableness of the lender's estimated value for the property and recommends the minimum level of collateral due diligence that must be performed for the loan to be delivered to Fannie Mae.

Loan casefiles that are eligible for value acceptance will receive a message indicating the availability of value acceptance. (See message text below.)



**NOTE:** For loan casefiles that are not eligible for value acceptance, the fieldwork recommendation message will require an appraisal with an interior and exterior property inspection.

The following message will be displayed in the DU Underwriting Findings report when a loan receives a value acceptance offer:

*DU accepts the value submitted by the lender for this subject property. To exercise the value acceptance (appraisal waiver) offer with representation and warranty relief on the value, condition, and marketability of the subject property, the loan delivery file must include the Casefile ID and Special Feature Code 801. If the value acceptance (appraisal waiver) offer is not exercised, an appraisal is required for this transaction and the loan cannot be sold with Special Feature Code 801. Note that DU does not identify all value acceptance (appraisal waiver) ineligible transactions, including Texas Section 50(a)(6) mortgages; always refer to the Selling Guide to verify eligibility.*

**Example:** A lender submits a loan casefile to DU and receives a message indicating the availability of a value acceptance offer and the need for an appraisal based on an interior and exterior property inspection if the offer is not exercised. The lender can either (a) obtain the interior and exterior appraisal or (b) exercise value acceptance offer.

**Q11. What is the process for exercising a value acceptance offer?**

To exercise a value acceptance offer on a loan casefile that is eligible for value acceptance, the lender must deliver the loan to Fannie Mae with SFC 801 along with the applicable casefile ID reported on the Loan Schedule or Schedule of Mortgages. Additionally, the value acceptance offer may not be more than four months old on the date of the note and the mortgage.

**Q12. If a lender receives a value acceptance offer on a loan casefile, are there situations in which the lender would still need to obtain an appraisal?**

Yes. There may be certain situations in which a lender needs to obtain an appraisal, even though value acceptance was offered on the loan casefile.

Examples of when an appraisal would need to be obtained include the following:

- The loan is a Texas Section 50(a)(6) mortgage. (DU cannot identify Texas Section 50(a)(6) mortgages so it may issue an invalid value acceptance offer).
- The lender has reason to believe that fieldwork is warranted because the sales contract for a purchase transaction stipulates repairs that are not minor, or that may affect the safety, soundness, or structural integrity of the property. See Q13.
- The lender is required by law to obtain an appraisal.
- The property is a leasehold property.
- The property is in a community land trust or has certain other resale restrictions. See Q4.
- The mortgage insurance provider requires an appraisal.

When an appraisal is obtained, the value acceptance offer may not be exercised, and the loan cannot be delivered with SFC 801.

**NOTE:** The borrower always has the choice to request an appraisal.



**Q13. If a lender receives a value acceptance offer on a purchase transaction but the sales contract stipulates repairs to be made, can the offer be exercised?**

If the repair item(s) are minor in nature and there is no impact to the safety, soundness, or structural integrity of the property, the lender may exercise the value acceptance offer.

When there are incomplete items or conditions that are not minor or may affect the safety, soundness, or structural integrity of the property, it must be appraised subject to the completion of those repairs or alterations. As such, the lender may not exercise the value acceptance offer.

**Q14. Can a lender execute a value acceptance offer on casefiles in process at the time a disaster occurs?**

Desktop Underwriter is regularly updated with ZIP Codes impacted by a major disaster as declared by the Federal Emergency Management Administration (FEMA). Fannie Mae may also add areas impacted by other disasters or emergencies at its discretion. New casefiles for properties located in these areas will not receive value acceptance offers through DU, unless an appraisal was completed after the disaster occurred or Fannie Mae has other evidence that property risk has been mitigated.

However, existing casefiles will still be eligible to execute a value acceptance offer. The lender may exercise the value acceptance offer but must take prudent and reasonable actions to determine the condition of the property and be able to make the representations and warranties described in the [Selling Guide B2-3-05, Properties Affected by a Disaster](#), before delivering the loan to Fannie Mae.

The following message will display in the DU Findings, in addition to the value acceptance offer message, on casefiles where a recent disaster has occurred:

*The subject property is located in an area that may have been impacted by a recent disaster. The lender must take prudent and reasonable actions to determine if the condition of the property has been materially impacted by the disaster and the lender must comply with the Selling Guide property eligibility requirements that pertain to properties affected by a disaster. If value acceptance (appraisal waiver) was offered, the lender may exercise this offer if the described conditions are met.*

**Q15. What should the lender do if a disaster is declared after the loan closes with value acceptance but before the loan has been delivered to Fannie Mae?**

The lender makes property-related representations and warranties as of the time it delivers the loan to Fannie Mae. Before delivery of a mortgage loan to Fannie Mae when the property may have been damaged by a disaster, the lender is expected to take prudent and reasonable actions to determine whether the condition of the property may have materially changed. The lender is responsible for determining if an inspection of the property and/or new appraisal is necessary to support its representations. See [Selling Guide B2-3-05, Properties Affected by a Disaster](#), for full guidance on properties affected by a disaster.

**Q16. What qualifies as “taking prudent and reasonable actions” when a lender needs to determine if a property has been damaged by a disaster? Is an inspection required?**

Fannie Mae is not prescriptive as to what method the lender must use to determine the condition of the property. The lender must do whatever it deems necessary to be confident in warranting the condition of the property, and this will vary by circumstance.

**Q17. How do rural high-needs value acceptance offers work?**



As part of our FHFA Duty to Serve objectives, we are offering value acceptance in designated rural high-needs areas. The rural high-needs value acceptance offer is for low- to moderate-income borrowers purchasing homes in targeted rural areas and is contingent on obtaining a home inspection. The value acceptance logic functions in the same way as standard value acceptance with the following exceptions:

- It allows for higher LTV ratios up to 97%, and CLTV ratios up to 105% with a Community Seconds®
- Only for purchase transactions of less than \$200,000
- It is restricted to one-unit principal residence properties (excluding manufactured homes) located in a designated rural high-needs area, as defined by the [FHFA High Needs Counties Map](#)
- Borrower income must be at or below 100% of the area median income
- Borrowers must sign an affidavit that they have been given a copy of the property inspection, read the report, and have been notified of any lender required repairs

The lender will receive a specific DU message for eligible loans and can exercise the Rural High-Needs value acceptance with SFC 801. The lender must obtain and review a home inspection report and represent and warrant that the property is safe, sound, and structurally secure, and that the property is not in [C6 condition](#). Properties in C6 condition are not eligible unless repairs are made prior to delivery. The home inspection will also reduce the risk of the high-needs borrower encountering unanticipated repair costs.

**Q18. What are the requirements for home inspectors, and can a borrower provide the home inspection?**

In states that regulate inspectors, we require professional inspectors who meet the state license and education requirements. In states that do not have inspector licenses, we require inspectors to be professionally accredited members in good standing of a nationally recognized property inspection organization.

The borrower can provide the home inspection; however, the inspector must meet the above requirements, and the home inspection must be sufficient for lenders to determine property condition and represent and warrant that the home is not in C6 condition.

**Q19. If a mortgage insurance (MI) provider requires that the lender obtain an appraisal based on an interior and exterior property inspection, but the loan casefile was eligible for value acceptance, could the lender exercise the value acceptance offer and receive the limited waiver of property-related representations and warranties?**

No. For loans with MI coverage, if the MI provider requires an appraisal for the transaction, the lender must comply with the MI provider's requirements. When a lender obtains an appraisal and also receives a value acceptance offer, the offer may not be exercised, and the loan cannot be delivered with SFC 801 (as stated in Q11 and Q19).

**Q20. If a lender obtains an appraisal and also receives a value acceptance offer from DU, may the lender exercise the offer?**

No. When a lender obtains an appraisal and also receives a value acceptance offer, the offer may not be exercised, and the loan cannot be delivered with SFC 801.

**NOTE:** As stated in Q4, DU will not offer value acceptance when an appraisal has been uploaded to UCDP within the prior 120 days from any lender.



**Q21. If the lender exercises the value acceptance offer on a refinance loan and does not obtain an appraisal, is the lender still required to confirm that the subject property is not listed for sale?**

Yes. *Selling Guide* [B2-1.3-02, Limited Cash-Out Refinance Transactions](#), still applies when the lender exercises the value acceptance (appraisal waiver) offer.

**Q22. If a lender receives a value acceptance offer on a loan casefile submission and, on a subsequent submission of the loan casefile, loses the value acceptance offer, can the lender still exercise the offer?**

No. A lender may exercise the value acceptance offer only when a value acceptance offer exists on the final submission to DU. If a lender attempts to exercise a value acceptance offer for a loan that does not have a value acceptance offer on the latest DU submission, the lender will receive the following error message in Loan Delivery:

The loan was entered with a value acceptance SFC but a value acceptance was not offered on the latest submission to DU.

**NOTE:** *Resubmission of the loan data will not affect value acceptance recommendation unless the estimate of the loan amount, value, property type, loan type, address, or LTV inputs are changed with the original casefile. A new casefile is considered a new loan application, and the value acceptance logic is run independently for each casefile, which may result in different outcomes than those of other casefiles for the same property.*

**Q23. When a value acceptance offer is exercised, is the lender responsible for the standard representations and warranties regarding the value of the property?**

Fannie Mae accepts the value estimate submitted by the lender as the market value for the subject property when a value acceptance offer is exercised. The lender is relieved from Fannie Mae's enforcement of representations and warranties regarding the value, condition, and marketability of the property. The lender is required to represent and warrant that the data submitted (other than the value estimate) to DU is complete and accurate.

When exercising a value acceptance offer, the lender is required to include the casefile ID and SFC 801 in the loan delivery file to Fannie Mae to receive the applicable representation and warranty relief.

**Q24. For properties secured by condos that receive a value acceptance offer, do lenders get any relief from project review requirements?**

No. All project standards still apply. Lenders are responsible for determining the documentation they need to review to determine that the project meets the requirements for the project review being completed.

Additionally, relying exclusively on the appraisal for any review type is not recommended because not all project eligibility requirements are addressed in the appraisal.

**Q25. When a value acceptance offer has been exercised, what are the lender's QC obligations?**

Lenders should use the QC process to evaluate potential issues with their execution of value acceptance offers. Choosing to include loans that have value acceptance in a discretionary sample can help to ensure that the process of exercising a value acceptance offer follows lender and Fannie Mae requirements. For example, the review should validate the accuracy of all DU inputs for the loan. Also, it should confirm that the lender declined to exercise value acceptance offers on Texas Section 50(a)(6) mortgages or certain loans with resale restrictions, and instead obtained an appraisal as required by our policy.



## Delivery Information

**Q26. What if the SFC and/or the casefile ID are not properly included in the delivery file?**

Without this information, it is unclear whether the lender truly intended to deliver a loan with value acceptance. Therefore, if this information is not present, Fannie Mae will not be able to provide value acceptance. Lenders will receive a fatal edit and will not be able to submit loans without value acceptance SFC. If the SFC and casefile ID are not included at delivery, lenders subsequently will need to submit a reconciliation request to ensure appropriate identification and coding of transactions eligible for property-related representation and warranty relief.

**Q27. When a lender exercises a value acceptance offer, must they provide the property-specific housing goals data (e.g., number of bedrooms, eligible rents)?**

For single-family principal residences and second homes, the property-specific housing goals fields are only required if the Property Valuation Method Type is "Full Appraisal" or "Prior Appraisal Used." When a value acceptance offer is exercised, the Property Valuation Method Type is "None." See [Instructions for Delivering a Loan Without an Appraisal](#) for requirements if an appraisal is not provided or obtained for primary residences and second homes.

Gross monthly rents must be reported to Fannie Mae in the loan delivery data for all investment properties, regardless of whether the borrower is using rental income to qualify for the mortgage loan. See [Selling Guide A3-4-02, Data Quality and Integrity](#), for alternate methods of reporting gross monthly rents on these properties.

## For More Information

For more information, reach out to your account team or call 1-800-2FANNIE (1-800-232-6643), Option 1 (technology support), and see [Selling Guide B4-1-1.4-10, Value Acceptance \(Appraisal Waivers\)](#).