

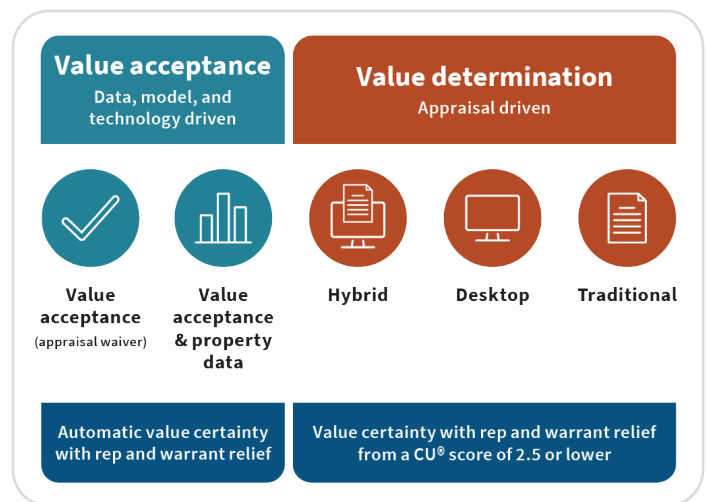


Property Data Collection: What QC Professionals Need to Know

An effective quality control (QC) program requires QC professionals to stay familiar with existing and emerging risks in the mortgage industry. As new mortgage products and practices are introduced, it is incumbent on QC teams to create processes and reviews incorporating these new products and practices. At Fannie Mae, we continue our ongoing work to modernize the valuation process by offering new options to establish a property’s value. It follows that Fannie Mae expects QC processes to adjust. At minimum, QC personnel should understand these new options, one of which is property data collection (PDC).

The *Selling Guide* requires that lenders evaluate the quality of property data collection as part of the **QC process similar to the way they would evaluate appraisals**. In that spirit, what does a QC review of property data collection look like? First, some background.

Value acceptance + property data (VA+PD) is one of the options available to lenders under **Fannie Mae’s property valuation framework**. Designed to leverage data and analytics to help lenders, appraisers, investors, and consumers better manage risk and save time and money, VA+PD requires property data collection.



What is Property Data Collection?

- Property data collection (PDC) is a critical part of VA+PD.
- DU[®] offers the option of value acceptance + property data on certain loan casefiles, requiring visual observation of interior and exterior areas of the property to verify eligibility.
- If the loan casefile is eligible, DU[®] messaging states: “DU accepts the property data and value submitted for this subject property. This loan is eligible for value acceptance + property data with representation and warranty relief on the value and marketability of the subject property.”
- The property data collection must occur prior to the note date by an eligible property data collector meeting the *Selling Guide* requirements. A licensed appraiser may be used, but it is not required.

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- An appraisal is not required; instead, the PDC document must be successfully submitted to Fannie Mae's Property Data API and be compliant with the Uniform Property Dataset (UPD) including:
 - exterior and interior photos of all rooms,
 - a floor plan, and
 - over 100 data points describing the property (including all required, conditional, and optional data elements)
 - Examples of such data points may include many items typically found in an appraisal, such as the lot size, any adverse site conditions, any interior deficiencies, and utilities information. The Property Data Collection User Guide, including a list of data points, can be found [here](#).
- Importantly, the PDC document is not an appraisal because it is not an opinion of value.

What action should a lender take with the PDC?

- After the PDC is submitted to Fannie Mae's API, Fannie Mae expects the lender to perform checks of the PDC to validate the data's accuracy, such as by reviewing the PDC, either as a PDF obtained by the lender or through Fannie Mae's PDART tool.
- Checks should take place both prior to funding and in post-closing QC.
 - In post-closing QC, the lender must perform a collateral risk assessment.
 - Lenders with a high volume of loans that receive value acceptance + property data may do well to consider a prefunding QC discretionary review dedicated to PDC.
 - Questions asked by PDC reviewers may include:
 - Does the property data match the photos, floor plan, living area, lot size, and public records?

- Is there evidence of any safety, soundness, or structural integrity issues? If so, does the file contain evidence those issues were cured prior to sale of the loan to Fannie Mae?
- Lenders (or their agents) must also establish a process to vet property data collectors:
 - Review the data collector's credentials and qualifications on an annual basis to ensure ongoing compliance. Evidence of the reviews must be available to Fannie Mae upon request.
 - The lender must continually evaluate the quality of its property data collectors and property data collection.

What is different about the QC review of the PDC versus a QC review of the appraisal?

- Unlike the review of an appraisal, the QC reviewer of the PDC doesn't have to analyze value or comparable sales (comps), and related aspects such as the selection of comps, justifications for the comps used, adjustments to comps, or the appraiser's explanations that are typically required in an appraisal.
- The PDC review process need not be daunting or complex, but the reviewer's work should focus on the subject property's characteristics. The review should be quicker relative to the work required to review a traditional or hybrid appraisal.

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What PDC-related issues are appearing in Fannie Mae's QC reviews?

- Fannie Mae has observed numerous instances in which property data wasn't collected until *after* the loan's note date. The requirement is for the property data collection to be submitted to the Property Data API prior to the loan's note date.
- Property conditions that raise safety and soundness issues, like the damaged ceiling in this example below, must be mitigated prior to the loan being sold to Fannie Mae.



What should you do now?

- ✓ Evaluate your protocols for reviewing PDC within QC, both in prefunding and post-closing. For example, make sure your audit software is set up to ask the right questions.
- ✓ Confirm the reviewers who analyze appraisals understand what PDC is and how they should analyze PDC.
- ✓ Meet with the business stakeholders to confirm the PDC review process validates all necessary information.

You should expect your loan quality to continue to improve with an understanding of the information that is included in a PDC and recognition that the PDC does not contain all the data points of an appraisal.

Resources

[Selling Guide Announcement \(SEL-2023-02\)](#)

[PDC User Guide](#)

Uniform Property Dataset [page](#)

Value Acceptance + Property Data service providers [list](#)

Post-Closing QC Collateral Risk Assessment Analysis ([Form 1033](#))

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