

# QUIZ:

## Collateral Underwriter Myths and Truths

There's a lot of speculation about Fannie Mae's Collateral Underwriter. Take our quiz to test your knowledge on some of the most common myths and truths being circulated by lenders and AMCs:

**1. If I submit an appraisal and it passes Collateral Underwriter, it's compliant and I'm not at risk of a buyback.**

**MYTH.** Collateral Underwriter's findings have nothing to do with compliance. The system's findings are classified as either hard stops or warnings. Fannie Mae will not accept appraisals with hard stops. It will accept appraisals with warnings. The warnings trigger a 1-to-5 scoring system. Once the appraisal's score is delivered to the lender, the lender decides how to proceed. Some options are to address the findings and re-submit, leave as is and deliver the appraisal as is to Fannie Mae, or not submit at all.

Fannie Mae itself has stated that Collateral Underwriter "is intended to supplement - not substitute for - lenders' appraisal review processes."  
Collateral risk is solely the lender's responsibility.

## **2. Fannie Mae created Collateral Underwriter for lenders.**

**MYTH.** Collateral Underwriter was created by Fannie Mae for Fannie Mae. According to Fannie Mae, Collateral Underwriter was created "to identify appraisals with heightened risk of property eligibility or policy compliance violations, overvaluation, and appraisal quality issues." According to the GSE, it utilizes CU as "part of [its] ongoing appraisal quality and collateral risk management efforts."

In other words, Collateral Underwriter, although made available to lenders, was not designed for lenders, but rather for Fannie Mae. As such, it does not address the issues that matter most to lenders, such as buyback prevention, audit protection, and the type of efficiencies that maximize labor costs.

## **3. I should be concerned about the ways Fannie Mae could use the information it collects from the appraisals I submit.**

**TRUTH.** While it's not yet clear how Fannie Mae can or will use the data it collects from the appraisals that CU screens, many lenders, AMCs and appraisers are very concerned that the GSE could store and analyze the information it collects from their appraisals to evaluate their processes and performance.

More specifically, these entities are concerned that normal human mistakes, actions and oversights may erroneously raise "red flags" that could jeopardize the individual's or organization's professional standing or ability to conduct business.

## **4. Collateral Underwriter uses Fannie Mae's proprietary database, so using another appraisal QC technology is virtually useless.**

**MYTH.** The underlying premise behind this erroneous assumption is that Fannie Mae's database and technology set the standard for correctness, which of course, they don't. It's important to remember that Collateral Underwriter is designed to protect Fannie Mae's risk, not the lender's.

About half of Collateral Underwriter's warning messages pertain specifically to data that Fannie Mae has collected through the UCDP portal. However, these findings represent but one of numerous risk factors lenders face with each CU screening.

Technologies like Platinum Data's RealView® can screen for all Fannie Mae hard stops, while also offering specific, actionable messages that lenders can use to effectively "decode" CU's vague messaging, which can save lenders 20 to 40 minutes or more per submitted file.

There are numerous additional ways that RealView helps lenders save time, reduce costs and prevent loss in screening appraisals prior to UCDP/CU submission. Here are some of the most common reasons our lender customers choose to use RealView as a precursor to CU submission:

- RealView reduces the chances of multiple CU submissions more than any other solution
- RealView covers all CU findings that are possible for a non-Fannie Mae entity
- RealView's flexibility positions it better than any other tool to best anticipate CU's database-based findings once CU is rolled out

Find out more about how to minimize the risks and inefficiencies lenders and AMCs expect to encounter with Collateral Underwriter. Email Norm Koenig or reach him by phone at (877) 711-1200.