

# Collateral Representation and Warranty Relief with an Appraisal: Loan Collateral Advisor<sup>®</sup> Information

Loan Collateral Advisor is a web-based tool that analyzes appraisal reports from the Uniform Collateral Data Portal<sup>®</sup> (UCDP<sup>®</sup>) and provides lenders with critical information to help determine appropriate levels of appraisal review. In addition, Loan Collateral Advisor provides an immediate view of rep and warranty relief for property value at no cost to you for every Form 70/1004, Uniform Residential Appraisal Report (URAR), and Form 465/1073, Individual Condominium Unit Appraisal Report. All results are returned within the tool and in the UCDP.

For eligible appraisals, the final decision of whether to grant rep and warranty relief for property value, however, is subject to submission of the loan to Loan Product Advisor<sup>®</sup> and loan eligibility checks in Loan Selling Advisor<sup>®</sup>.

This reference provides details about what you need to know to successfully use Loan Collateral Advisor to determine appraisal eligibility for rep and warranty relief with an appraisal if you are using this tool as part of your business process. The following topics are included:

- [Accessing Results](#)
- [Reviewing Eligibility for Collateral Rep and Warranty Relief for Property Value](#)
- [Reviewing Loan Quality Advisor Feedback Messages](#)
- [Additional Information Provided by Loan Collateral Advisor](#)
- [Additional Resources](#)



Rep and warranty relief may also be offered with Loan Product Advisor's automated collateral evaluation capability which provides the option to waive the appraisal requirements on certain loans. For information on automated collateral evaluation, refer to the [Automated Collateral Evaluation](#) job aid.

## **Accessing Results**

To review results, you must first complete a search from the landing page. Loan Collateral Advisor search capabilities will help you quickly locate results for a specific property or multiple properties using specific search criteria.



Loan Collateral Advisor will only access results that are submitted to the UCDP under the Seller Number designated for use with Loan Collateral Advisor. Loan Collateral Advisor is used to review the assessment results of the appraisals submitted to UCDP. If a resubmission of the appraisal data is needed, it must be resubmitted through the UCDP, and will then be reassessed by Loan Collateral Advisor.

## **Reviewing Eligibility for Rep and Warranty Relief for Property Value**

Eligibility for rep and warranty relief for property value is indicated on the Search Results page and individual reports.



## Search Results Page

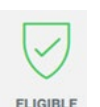

The Search Results page lists properties that meet the search criteria and provides a summary of key analysis results, including eligibility for rep and warranty relief. This page also provides access to the analysis results of an individual property, which are in a report that you access by clicking the address link.

| ADDRESS   | SUBMISSION DATE/TIME   | FORM        | VALUATION EFFECTIVE DATE | LCA RISK | VALUATION RISK | APPRAISAL QUALITY RISK | COLLATERAL R&W ELIGIBLE | UCDP SUCCESS STATUS |
|---|------------------------|-------------|--------------------------|----------|----------------|------------------------|-------------------------|---------------------|
| <a href="#">Dunlap, TN 37327</a><br>Doc File ID: [REDACTED]       | 01/09/2019<br>11:28 AM | 70/<br>1004 | 12/14/2018               | 1        | -              | -                      | Y                       | Y                   |
| <a href="#">Fayetteville, TN 37334</a><br>Doc File ID: [REDACTED] | 01/09/2019<br>11:28 AM | 70/<br>1004 | 12/10/2018               | 4.5      | -              | -                      | N                       | Y                   |
| <a href="#">Grand Rapids, MI 49505</a><br>Doc File ID: [REDACTED] | 01/09/2019<br>10:24 AM | 70/<br>1004 | 01/01/2019               | 99       | -              | -                      | N                       | N                   |

## Reports

For every Uniform Appraisal Dataset (UAD) appraisal report, Loan Collateral Advisor performs validations on the submitted data and uses multiple sources to help determine the overall assessment of the appraisal. Results of the analysis are returned in a report. For Form 70/1004 and Form 465/1073 appraisal submissions, the report includes an LCA Risk Score, along with an indicator of eligibility for rep and warranty relief for property value.

The following table lists and describes the results you may receive for rep and warranty relief for property value:

| Loan Collateral Advisor Collateral Rep and Warranty Relief Results                                  |  |
|---|--|
| <br>ELIGIBLE     | A green shield with a checkmark indicates the appraisal is eligible for rep and warranty relief for property value.  |
| <br>NOT ELIGIBLE | An orange shield with an exclamation point indicates the appraisal is not eligible for rep and warranty relief for property value. Feedback messages under the LCA Findings tab will provide further details regarding the reason(s) for any ineligibility findings. |

Keep in mind, if the appraisal is eligible for rep and warranty relief for property value, you must still perform an appraisal review to ensure, among other things, the appraiser has not provided a misleading appraisal and the property meets Freddie Mac requirements.



Seller remains responsible for compliance with the following requirements:

- The mortgaged premises (including condominium project or a PUD, if applicable, eligibility requirements) meets Freddie Mac's property eligibility requirements (not vacant, underdeveloped land, not primarily used for agricultural or farming purposes or commercial enterprise).
- The mortgage premises (including units in a condominium project or PUD, if applicable) not be subject to a pending legal proceeding for condemnation in whole or in part.
- When applicable, Form 442, *Appraisal Update and/or Completion Report*, or Form 400, *Warranty of Completion of Construction* is obtained verifying that any outstanding conditions of the appraisal have been satisfied.
- Ensuring the appraiser's description of the subject property must be complete and accurate.

The screenshot displays the Loan Collateral Advisor interface for a search on 'Dunlap, TN 37327'. The 'Document Details' section includes:

- CONCLUSION: \$125,000
- APPRaisal: 70/1004
- LENDER LOAN NUMBER: [REDACTED]
- DOC FILE ID: [REDACTED]
- APPRaiser: [REDACTED]
- SUBMISSION DATE/TIME: 01/04/2019 1:53 PM
- SELLER NUMBER: [REDACTED]
- DOCUMENT ID: [REDACTED]
- APN: 077041B B 01600
- VALUATION EFFECTIVE DATE: 12/14/2018
- DELIVERY SELLER NUMBER: --
- CASE NUMBER: [REDACTED]
- BORROWER NAME: [REDACTED]
- DOCUMENT TYPE: Appraisal 1
- LOAN PROSPECTOR KEY: --
- CASE CREATED: 01/04/2019 1:52 PM

The 'LCA Risk Score' section shows a score of 1 on a scale from 1 (Very Low) to 5 (Very High). The 'Collateral R&W' status is 'ELIGIBLE' (highlighted with a red box), and the 'UCDP Status' is 'SUCCESSFUL'.

Below these sections are tabs for 'LCA Findings', 'Comparables', 'UCDP Hard Stops', and 'UAD Findings'. The 'LCA Findings' tab is active, showing a table with the following data:

| MSG ID  | CATEGORY   | DETAILS  | LCA SEVERITY |
|---------|------------|--|--------------|
| FRE4020 | Risk Level | LCA Risk is assessed at 1 indicating a Very Low risk of overvaluation. | Notification |



## **Reviewing Loan Collateral Advisor Feedback Messages**

The report's LCA Findings tab displays messages from the Loan Collateral Advisor analysis. They are also displayed in the UCDP as Freddie Mac proprietary messages. The messages are intended to be informational and actionable to help you identify potential appraisal issues earlier in the process, so you can determine the level of review required.

You can use these messages to help determine why a property may not be eligible for rep and warranty relief for property value. Based on the information provided, you may be able to address or correct issues with the appraisal report and resubmit it to the UCDP. Upon resubmission, Loan Collateral Advisor will complete a new analysis for rep and warranty relief eligibility for property value. If the loan associated with the appraisal is ineligible for rep and warranty relief for property value, but the loan otherwise meets our Guide requirements, the loan is still eligible for sale to Freddie Mac.

| MSG ID ^ | CATEGORY                                    | DETAILS   | LCA SEVERITY ^ |
|----------|---|---|----------------|
| FRE4005  | Risk Level                                  | This appraisal is not eligible for representation and warranty relief for property value.   | Severe         |
| FRE4020  | Risk Level                                  | LCA Risk is assessed at 3.5 indicating a Moderate risk of overvaluation.  | Notification   |
| FRE4150  | Valuation                                   | Modeled sale data indicates that there are no sales with a sale price higher than the reported opinion of value. Please review LCA and report sales to ensure that the appraiser has provided the most relevant and representative sales for the subject.                                   | Warning        |
| FRE4231  | Comp Selection / Adjustment Appropriateness | The price-per-square foot of the subject property (\$136.58/sf) is higher than the average recent sales within the vicinity. Average = \$68.30/sf; Standard Deviation = \$32.20/sf. Please confirm the comparable sales provided in the appraisal are among the most appropriate available. | Warning        |
| FRE4328  | Report Completeness                         | The unadjusted price range of the comparable listings (\$330,000 to \$330,000) is not within the comparable list price range in the Sales Comparison Approach section (\$0 to \$0). Please ensure that the information provided in both sections is accurate.                               | Warning        |

## **Additional Information Provided by Loan Collateral Advisor**

In addition to rep and warranty relief eligibility indicator LCA Findings feedback messages, Loan Collateral Advisor also provides the following information that may assist in your appraisal quality review:

### **LCA Risk Score**

The LCA Risk Score returned on appraisals is a real-time risk score that provides a view of overvaluation risk associated with an appraisal. The scoring scale is between 1 and 5 in .5 increments with 1 representing the lowest risk of overvaluation and 5 representing the highest risk of overvaluation. Appraisals that are well aligned, or below the HVE point value, are considered lower risk of overvaluation and, therefore, exhibit lower risk scores. Appraisals (Form Type 70/1004 and 465/1073) with an LCA Risk Score of 2.5 or less are eligible for rep and warranty relief for property value.



### **UCDP Status**

The UCDP Status indicates the status of the UCDP submission after being processed.

### **Comparable Information**

The Comparables tab displays information that is accessed from over 100 million unique property records and provides you with sold and listing properties comparable to the subject property.

### **UCDP Hard Stops**

The UCDP Hard Stops tab lists any Hard Stops that occurred after the appraisal report was submitted to the UCDP. Hard Stops are critical errors that generate a status of “Not Successful” and must be resolved to receive a “Successful Status” and sell the loan to Freddie Mac. The UCDP automatically overrides certain Hard Stops. Other Hard Stops require either an approved manual override request or an updated appraisal report to be submitted to the UCDP that resolves the Hard Stop.

### **UAD Findings**

The UAD Findings tab lists any appraisal findings that received a severity of “Warning” or “Fatal” after the appraisal report was submitted to the UCDP. Messages with a severity of “Fatal” must be resolved before the loan can be sold to Freddie Mac.

### **Document Center View**

The Document Center provides you with a summary view of all appraisal reports, and their associated Loan Collateral Advisor reports, submitted under a specific subject property address.

### **Additional Resources**

If you have other questions about Loan Collateral Advisor functionality, or are a new Loan Collateral Advisor user and need help learning about it, refer to the following resources:

- [Loan Collateral Advisor web page](#)
- [Loan Collateral Advisor Training Resources](#)

This information is not a replacement or substitute for the requirements in the Freddie Mac *Single-Family Seller/Service Guide* and your other Purchase Documents.

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