

## What is Loan Collateral Advisor?

Loan Collateral Advisor®, offered as part of Freddie Mac Loan Advisor®, is a web-based tool that analyzes appraisal reports submitted to the Uniform Collateral Data Portal® (UCDP®) and provides lenders with critical information to help drive appropriate levels of appraisal review. In addition, Loan Collateral Advisor provides an immediate view of collateral representation and warranty relief associated with the property value at no cost to you.

Loan Collateral Advisor's results include a real-time risk score, providing a view of overvaluation risk; dynamic user functionality including comparable sales data, mapping and imagery that can be leveraged for higher risk appraisals; and actionable feedback messages organized in lender-friendly categories.

Freddie Mac is using Loan Collateral Advisor internally – our Quality Control (QC) team uses the results, including the risk score and feedback messages, to assist in its sampling and review of appraisal reports.

The following diagram highlights components of the Loan Collateral Advisor report.

### Components of the Loan Collateral Advisor Report

1. Document Details
2. Risk Score
3. Collateral R&W Indicator\*
4. UCDP Status Indicator
5. LCA Findings
6. Comparables
7. UCDP Hard Stops
8. UAD Findings
9. Document Center

The screenshot displays the Loan Collateral Advisor interface for a property at 123 Main St, Anytown, AB 12345. The report is organized into several sections:

- Document Details (1):** A table with the following information:
 

CONCLUSION \$125,000	APPRAISAL 70/1004	LENDER LOAN NUMBER 123456789	DOC FILE ID 1122334455
APPRaiser Appraiser Testcase	SUBMISSION DATE/TIME 03/16/2018 11:52 AM	SELLER NUMBER 00000	DOCUMENT ID 1000000000
APN 12345678901234	VALUATION EFFECTIVE DATE 02/26/2018	DELIVERY SELLER NUMBER -	CASE NUMBER 123456789123456789
BORROWER NAME Test, Mary Jane	DOCUMENT TYPE Appraisal 1	LOAN PROSPECTOR KEY 12345678	CASE CREATED 03/16/2018 11:52 AM
- Risk Score (2):** A horizontal scale from 0 to 5, with a green bar indicating a score of 1.5, labeled as 'Very Low'.
- Collateral R&W\* (3):** A green shield icon with a checkmark, labeled 'ELIGIBLE'.
- UCDP Status (4):** A green shield icon with a checkmark, labeled 'SUCCESSFUL'.
- LCA Findings (5):** A tabbed interface with 'LCA Findings' selected, showing a table of findings:
 

MSG ID	CATEGORY	DETAILS	LCA SEVERITY
FRE4040	Valuation	LCA Risk is assessed at less than or equal to 1.5 indicating a Very Low risk of overvaluation.	Notification
- Comparables (6):** A tabbed interface with 'Comparables' selected.
- UCDP Hard Stops (7):** A tabbed interface with 'UCDP Hard Stops' selected.
- UAD Findings (8):** A tabbed interface with 'UAD Findings' selected.
- Document Center (9):** A 'DOCUMENTS' button in the top right corner.

\*Refer to Guide Section 5602.2(c) for mortgages not eligible for appraised value representation and warranty relief.

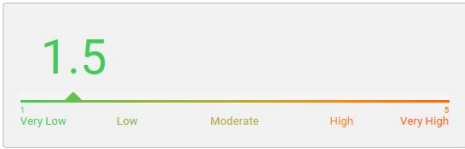
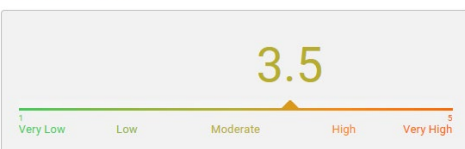
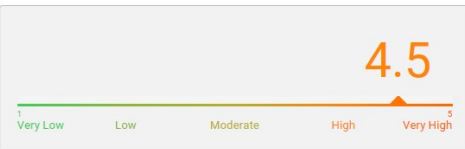


## What does the LCA Risk Score indicate?

Loan Collateral Advisor returns an LCA Risk Score to provide greater transparency into the tool’s view of overvaluation risk associated with an appraisal. Appraisals that are well aligned, or below the HVE point value, are considered lower risk of overvaluation and, therefore, exhibit lower risk scores. The following table shows the LCA Risk Score values and their associated risk levels.

LCA Risk Score					
A risk measure of Loan Collateral Advisor’s assessment of overvaluation risk.					
Score	1 – 1.5	2 – 2.5	3 – 3.5	4 – 4.5	5
Risk	Very Low	Low	Moderate	High	Very High

The scenarios in the table below provide additional insight into what the risk scores mean.

If...	Then it means...
<p><b>Very Low and Low Risk Scores</b></p> <p>LCA Risk Score</p> 	<p>The appraisal is not missing critical data and there is a minimal risk of overvaluation.</p>
<p><b>Moderate Risk Score</b></p> <p>LCA Risk Score</p> 	<p>There is some risk of overvaluation considering the appraised value and the HVE value. There may also be certain defects within the appraisal construction. It may be beneficial to consider the information available within the UCDP’s Freddie Mac Submission Summary Report (SSR) and/or Loan Collateral Advisor to determine whether the appraisal report provides sufficient information to support the analysis and conclusions. The messages within the SSR and/or LCA Findings tab can help guide the actions you may need to take.</p>
<p><b>High and Very High Risk Score</b></p> <p>LCA Risk Score</p> 	<p>There is more significant overvaluation risk considering the appraised value and the HVE value. There may also be more critical defects within the appraisal construction. You should consider the information available within the UCDP’s Freddie Mac Submission Summary Report (SSR) and/or Loan Collateral Advisor to determine whether the appraisal report provides sufficient information to support the analysis and conclusions. The messages within the SSR and/or LCA Findings tab can help guide the actions you may need to take.</p>



If...	Then it means...
<p style="text-align: center;"><b>No LCA Risk Score</b></p> <p>LCA Risk Score</p> <div style="border: 1px solid #ccc; padding: 10px; margin: 10px 0;"> <p style="font-size: 24px; font-weight: bold; text-align: center;">99</p> <div style="display: flex; justify-content: space-between; font-size: 8px; margin-top: 5px;"> <span>Very Low</span> <span>Low</span> <span>Moderate</span> <span>High</span> <span>Very High</span> </div> </div>	<p>An LCA Risk Score of 99 is returned. This may be due to HVE being unavailable, not having a value for the property or because the report may be incomplete/missing critical information. Feedback messages will indicate the reason for the score:</p> <ul style="list-style-type: none"> <li>▪ If you receive an “HVE is unavailable” message, you may resubmit the appraisal report to the UCDP at a later time so it can be reassessed by Loan Collateral Advisor.</li> <li>▪ If the report is missing critical information, Loan Collateral Advisor messages will provide specific feedback for you to address. You may resubmit the appraisal report to the UCDP once the report has been corrected to include missing information so it can be reassessed by Loan Collateral Advisor.</li> </ul>

**NOTE:** Photos and commentary provided by the appraiser should always be reviewed as they may provide additional information to support the appraiser’s analysis and conclusions.

## What is the LCA Findings tab and how is it organized?

The LCA Findings tab provides actionable information to assist you in performing QC and underwriting of the appraisal. Messages within the LCA Findings are organized into lender-friendly categories to make it easier for you to determine what type of message is returned. The categories include:

Category	Description
Risk Level (4000)	<p>Highlights the Loan Collateral Advisor risk level and if the appraisal is eligible for collateral rep and warranty relief associated with property value.</p> <p><b>Example:</b> <i>This appraisal is eligible for representation and warranty relief for property value, pending an assessment of the loan.</i></p>
Valuation (4100)	<p>Highlights specific valuation concerns based on information available to Freddie Mac and/or information provided on the appraisal.</p> <p><b>Example:</b> <i>The current valuation of the subject property is more than 20% higher than a recent transfer on 2016-04-26 for \$200,000. Please ensure that the appraisal addresses this transfer and that the current value is accurate and well supported within the appraisal.</i></p> <p>In addition, when Freddie Mac identifies significant risk of appraised value being undervalued, a specific message (message 4030) is returned.</p>



Category	Description
Comp Selection / Adjustment Appropriateness (4200)	Highlights comparable selection and/or adjustment issues. <b>Example:</b> <i>The appraisal contains less than 2 comparable sales/listings from within the subject property's zip code; however, 6 or more potentially comparable property(s) were identified within the subject property's zip code.</i>
Report Completeness (4300)	Highlights incorrectly completed or incomplete sections of the report. <b>Example:</b> <i>No selection has been made for conditions that affect livability, soundness or structural integrity.</i>
Report Inconsistencies (4400)	Highlights areas within the report that contain inconsistent information. <b>Example:</b> <i>Predominant housing price is outside the High and Low prices noted in Neighborhood section.</i>
Data Discrepancy (4500)	Highlights areas where data on the appraisal conflicts with data from historical appraisals or other data sources available to Freddie Mac. <b>Example:</b> <i>The reported foundation type of Concrete Slab for the subject property disagrees with the foundation type on the following appraisals: 2016-01-06 - Crawl Space, 2013-08-15 - Crawl Space.</i>
Eligibility (4600)	Highlights potential issues with loan or property eligibility in meeting Freddie Mac's guidelines. <b>Example:</b> <i>The appraisal report indicates that the zoning is Legal Nonconforming and that rebuilding to current density is not permitted. Please ensure that this mortgage is eligible for sale to Freddie Mac.</i>



## How can the information provided in Loan Collateral Advisor be used?

Loan Collateral Advisor results can be flexibly implemented within your current processes. For example, you can:

- Use the LCA Risk Score as a factor in defining risk tolerance levels for your organization.
- Determine which appraisals may take advantage of a streamlined review process and which appraisals may require escalation to a more experienced appraisal underwriter or staff appraiser.
- Leverage the LCA Risk Score and messages to direct workflow and allocate resources.
- Leverage the sales information under the Comparables tab to help you determine the relevance of the comparable sales selected to the pool of available sales for appraisals with a higher LCA Risk Score.
- Use the advanced search feature in Loan Collateral Advisor to help analyze scoring trends. For example, you can review message trends for appraisals that received a specific LCA Risk Score or message.

**Effective June 29, 2023**, Loan Collateral Advisor will include feedback messages to alert users when certain prohibited, subjective or potentially biased words or phrases are included in appraisal reports submitted to Freddie Mac through the UCDP. This insight is intended to help users identify potential issues and to assist in compliance with Freddie Mac *Single-Family Seller/Service Guide* (Guide) requirements. Note: these messages will have a Warning severity and will not prevent a “Successful” submission status in the SSR in UCDP. Refer to [New Messages Alert Users to Certain Unacceptable Appraisal Practices](#).

**NOTE:** The LCA Risk Score is not, taken on its own, an indication of purchase eligibility. Any loan with an appraisal that has a successful UCDP status may be eligible for sale to Freddie Mac. However, it remains the seller’s responsibility to confirm that the collateral and associated appraisal meet Freddie Mac requirements.



## How can Loan Collateral Advisor help me optimize my review process?

Based upon the LCA Risk Score and LCA Findings messages,

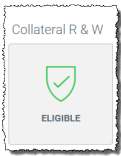

- If you have determined that appraisal risk is low, you might consider a more streamlined appraisal review:
  - Route low-risk appraisals to underwriters with generalized skill sets.
  - Review messages to ensure there are no data discrepancies specific to condition or quality.
  - Ensure photos and commentary are consistent with conclusions such as Condition and Quality Ratings within the report.
  - Ensure required addendums are included.
  - Ensure appraisal certifications and required signatures are included.
  
- If you have determined that appraisal risk is high, you might consider an escalation process:
  - Escalate the appraisal to more senior underwriters or staff appraisers for a detailed review and analysis.
  - Utilize the dynamic user functionality including comparable sales data, mapping and imagery.
  - If upon additional review, there are remaining concerns about the value, condition or marketability, the appraiser should be contacted to address questions and/or concerns.
    - If valid concerns regarding the appraisal are resolved by correcting or updating the report, the appraiser should fully document the rationale for the changes, including changes in value and/or the use of additional comparables.
    - If valid concerns about the appraisal cannot be resolved, reject the original appraisal and take steps to obtain a well-supported appraisal including ordering a field review or a new appraisal.

Any changes to the appraisal report, must be made by the original licensed or certified appraiser. If the appraiser amends the appraisal report or a new appraisal is obtained, resubmit the appraisal report to the UCDP and review the results in Loan Collateral Advisor.



## How do I determine if the appraisal is eligible for collateral rep and warranty relief?

Loan Collateral Advisor analyzes every Form 70/1004 and Form 465/1073 and provides feedback on the appraisal's eligibility toward collateral rep and warranty relief. To determine initial eligibility, review the Collateral R&W indicator and messages under the LCA Findings tab. The following results may be returned:

Loan Collateral Advisor Collateral R&W Indicator Results	
Result	Description
	A green shield with a checkmark indicates the appraisal is eligible for value-related collateral rep and warranty relief. The collateral rep and warranty relief decision, however, is subject to final confirmation in Loan Selling Advisor®.
	An orange shield with an exclamation point indicates the appraisal is not eligible for value-related collateral rep and warranty relief.

Based on the information provided under the LCA Findings tab, 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 that could change eligibility for collateral rep and warranty relief. Freddie Mac will still purchase loans that are not eligible for collateral rep and warranty relief, provided all other purchase requirements are met.

**NOTE:** The messages returned under the LCA Findings tab are also returned with the Freddie Mac proprietary messages in the UCDP.

## Is an appraisal review required if the loan receives collateral rep and warranty relief?

Yes, an appraisal review is required. However, a full review of the appraisal is not required. An appraisal review should be performed because the seller continues to be responsible for compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), accuracy and completeness of the data on the appraisal report including information related to the subject property and project when applicable.

Freddie Mac recommends the review ensure the following:

- Any outstanding conditions of the appraisal have been satisfied.
- The property is not subject to a pending legal proceeding for condemnation in whole or in part.
- The property is not impacted by a disaster (refer to Guide Section 4407.1 for details).
- The appraiser has identified and considered external obsolescence.



- The reported condition and/or quality ratings and property characteristics are accurate and consistent with the report commentary and photographs.
- The property complies with life-of-loan representation and warranties, which includes the property being residential in nature (not primarily used for commercial, agricultural or any other non-residential purposes).

The seller is not required to review the appraisal to:

- Ensure the report accurately reflects the market value of the property.
- Ensure the appraiser used sound reasoning and documented support for methodology chosen to develop the opinion of value.
- Analyze the comparable sales used in the appraisal report, including the description and appropriateness of comparable selection and adjustments.

This guidance is consistent with how Freddie Mac's Quality Control department will be performing the collateral review component for sampled loans receiving collateral rep and warranty relief.

## Additional Information

For more information, visit our [Loan Collateral Advisor web page](#) where you can access a variety of resources to help you integrate Loan Collateral Advisor into your business.

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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