

How Freddie Mac Develops Collateral Valuation Solutions



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Freddie Mac mitigates risk by purchasing loans supported by reliable and appropriate collateral valuation solutions. We use a structured approach to bring new collateral valuation solutions to the market. This approach balances experimentation with governance, allowing Freddie Mac to learn while protecting the enterprise.

Here's how we do it:



Ideation

Like any great idea, new collateral valuation solutions come from insights – be it those we derive from our data and analytics, our quality control efforts or the experiences of our lenders and their borrowers.

Any new solution we evaluate must consider the impact to risk and management of those risks – but that's not all; we'll also ask questions like:

- Can it provide efficiency in the loan process?
- Can it reduce the cost of loan origination?
- Can it provide more transparency to all parties?

If the solution makes sense to evaluate further, the next step is testing.

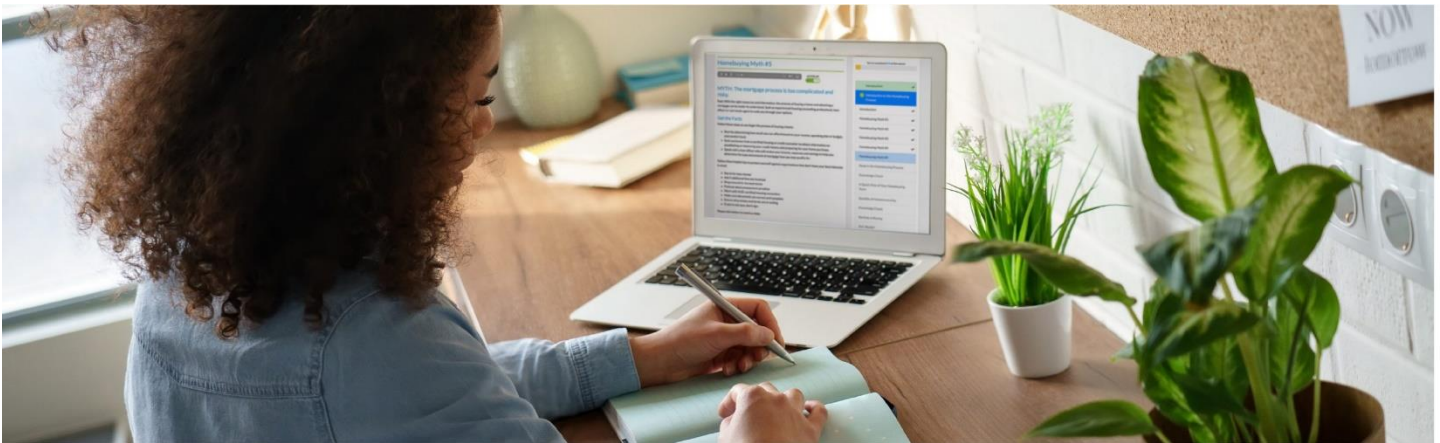




Testing

While we might think a new collateral valuation solution has potential to deliver effective risk management and benefits to borrowers and lenders, we need to find out for sure. We do that through testing.

We engage with lenders of different sizes, with varying in-house processes, and different third-party providers to get a cross section that helps us better understand the impact to broad categories of lenders and borrowers. Our process follows formal procedures and guidelines and the results of testing are compared to existing collateral valuation solutions.



Evaluation

Once we've done the testing, we examine the results to see how they compare to the expected outcomes. Simply put, we want to know if the solution provides the benefits we envisioned during ideation.

While the question of whether the solution provides value is a simple question, it involves in-depth analysis. We evaluate data, systems, risks, operational and monitoring processes, and impacts. The analysis considers whether the solution supports effective risk management and the impacts to borrowers and lenders.





Implementation Decision

Based on the testing and evaluation, we determine whether to continue working on the solution.

If the solution delivers as expected, we may elect to move forward to further verify results – be that from test-and-learn, pilot, or a broad implementation.

If the solution doesn't deliver as expected, we consider our next steps. If a change could deliver the expected results, we might make that change and test again. Or, the answer might be so obvious that we decide to test the implemented change with a larger group. However, it's also possible that testing results indicate that, "no matter the changes made, the solution won't deliver as expected"; and that's OK. We'll go back to the drawing board and look for the next idea.

Before making hybrid appraisal reports broadly available through our *Single-Family Seller/Service Guide (Guide)*, we did extensive testing. The testing showed that hybrid appraisal reports using property data reports (PDRs) were about 2 times more likely to accurately identify and report property condition in compliance with Freddie Mac requirements when compared to traditional appraisal reports. These results helped validate our hybrid appraisal report offering, and our ACE+ PDR (automated collateral evaluation plus property data report) offering.

Post-implementation Monitoring

Once new solutions are implemented and made broadly available, we continually monitor them to ensure that they continue to deliver as expected. More data could mean different results. More users could expose opportunities. Close, thoughtful post-implementation monitoring allows us to make updates to improve results or to expand to make the solution available to even more lenders and more borrowers.

Our decision to [expand eligibility for both ACE and ACE+ PDR](#) in early 2025 is an example of how continuous monitoring of existing offerings allowed us to deliver additional time and cost saving benefits to more borrowers.

Have questions about any of our available collateral valuation methods or how to operationalize them in your workflow? Contact your Freddie Mac representative or Customer Service (800-FREDDIE). We're here to help.

Additional Resources

- [Collateral Valuation and Appraisal Resources](#)
- [Collateral Training](#)
- [Automated Collateral Evaluation \(ACE\)](#)
- [ACE+ PDR \(property data report\)](#)