Automated Collateral Evaluation (ACE) – Appraisal Waiver

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Note: Vertical revision bars " | " are used in the margin of this reference to highlight these new requirements and significant changes.

What is automated collateral evaluation?

The automated collateral evaluation from Freddie Mac provides Sellers with the option to waive the appraisal requirements for certain Loan Product Advisor® (LPA℠) mortgages. The tools within Freddie Mac Loan Advisor® work together seamlessly to identify, validate, confirm and track loans that are eligible for and receive the automated collateral evaluation appraisal waiver option. If a loan assessed by LPA is identified as eligible for the appraisal waiver, and you, as the Seller, choose to accept the appraisal waiver option, you are not required to obtain an appraisal and will be relieved of representations and warranties related to value, condition, and marketability of the property upon sale of the mortgage to Freddie Mac. There is no fee associated with the acceptance of an appraisal waiver.

Note: A Seller that has accepted an appraisal waiver offer must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the mortgage premises.

Benefits

- **Close faster**
  Save 7-10 days, or more, without a traditional appraisal
- **Save money**
  Save $300-$700 with no appraisal fee
- **Immediate certainty**
  Loans are automatically eligible for collateral representation and warranty relief

Eligibility Requirements

ACE Results – Loan Advisor Overview

Loan Product Advisor

Loan Quality Advisor®

Loan Selling Advisor®

Loan Coverage Advisor®

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The following chart provides a summary of requirements that must be met to be eligible to receive an appraisal waiver offer. For complete details, refer to the *Single-Family Seller/Servicer Guide* (Guide) Section 5602.3.

<table>
<tr><th>Topic</th><th>Requirements</th></tr>
<tr><td>Eligible Mortgages</td><td>

LPA Accept Risk Class
1-unit dwelling (includes mortgages secured by a condominium unit).
Note: A manufactured home is not eligible.
Primary Residence or second home
Purchase transaction
No Cash-out refinance
Cash-out refinance

</td></tr>
<tr><td>Ineligible Mortgages</td><td>Refer to Guide Section 5602.3(d)</td></tr>
<tr><td>LTV/TLTV</td><td>
<table>
<tr><th colspan="4">Maximum Loan-to-Value (LTV) and Total Loan-to-Value (TLTV) ratios</th></tr>
<tr><td>Occupancy Type</td><td>Purchase</td><td>No Cash-out Refinance</td><td>Cash-out refinance</td></tr>
<tr><td>Primary residence</td><td rowspan="2">≤ 80%</td><td rowspan="2">≤ 90%</td><td>≤ 70%</td></tr>
<tr><td>Second home</td><td>≤ 60%</td></tr>
</table>
</td></tr>
<tr><td>Age of the appraisal waiver offer</td><td>

Valid for 120 days.
Note: If the offer is more than 120 days old on the Note Date, a resubmission to LPA is required to determine ongoing appraisal waiver eligibility.
If the Settlement Date is more than 120 days after the Note Date, the Seller must warrant that the value of the subject property as of the Settlement Date is not less than the estimated value or sales price used to underwrite the mortgage in LPA.

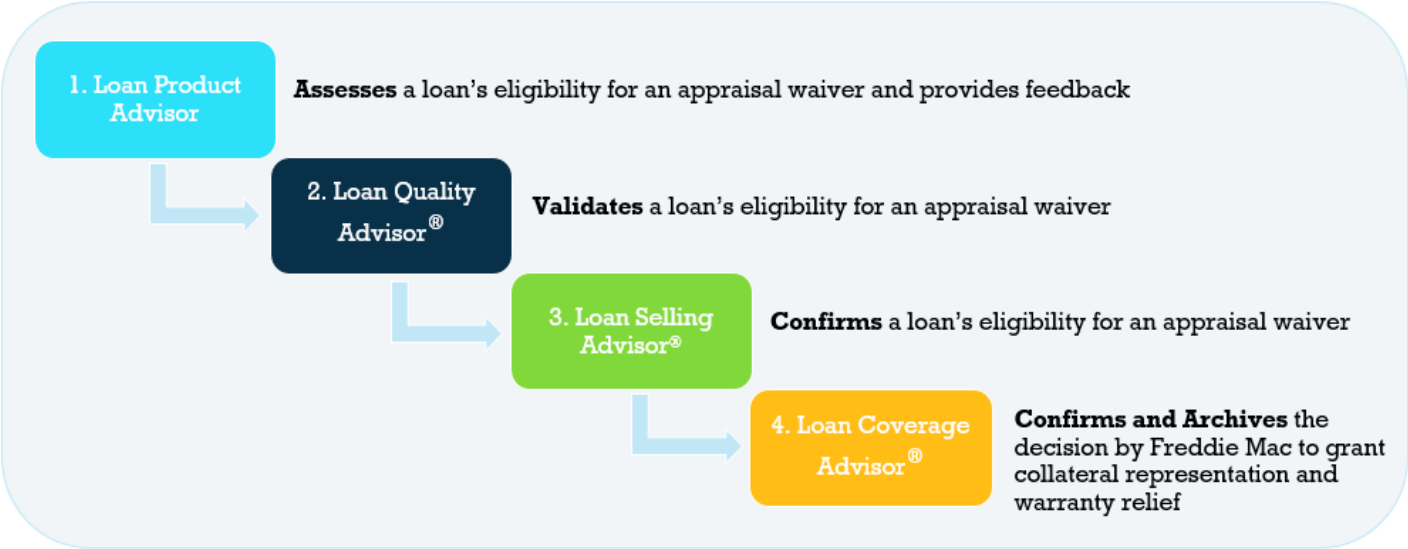
</td></tr>
<tr><td>Resubmission and Loan Data Changes</td><td>Resubmission of the loan data to LPA will not affect ACE eligibility unless risk class changes from Accept to Caution, or one or more of the following data fields is changed from the time of the prior submission:

Address of the property
Estimate of value
Occupancy of the property
Loan amount
Loan type
Purchase price
Property type

</td></tr>
<tr><td>Appraisal waiver eligibility in disaster areas</td><td>Sellers may accept an appraisal waiver offer if the Seller can represent and warrant that the value and marketability of the mortgaged premises has not been adversely impacted. See Guide Section 4407.1 for property condition requirements.</td></tr>
</table>

ACE Results – Loan Advisor Overview

Which tools are involved in the automated collateral evaluation process?



Loan Product Advisor

Loan Product Advisor is our automated underwriting system that provides a view of the loan's credit risk and purchase eligibility. Eligibility for the appraisal waiver begins with submission to LPA to assess the loan and provide feedback on the Loan Product Advisor Feedback Certificate.

Loan Quality Advisor

Loan Quality Advisor helps you validate that there are no material changes to your loan data that will alter the status of your LPA results and provides an early view of comprehensive purchase edits that will be applied in Freddie Mac's Loan Selling Advisor at loan delivery. Loan Quality Advisor may also be used to validate the loan's eligibility for the appraisal waiver.

Loan Selling Advisor

Loan Selling Advisor is our pricing, contracting and loan delivery tool. Eligibility for the appraisal waiver is confirmed in Loan Selling Advisor.

Loan Coverage Advisor

After delivery and funding, Loan Coverage Advisor documents whether LPA has determined that the loan is relieved from certain representations and warranties related to value, condition, and marketability of the property.

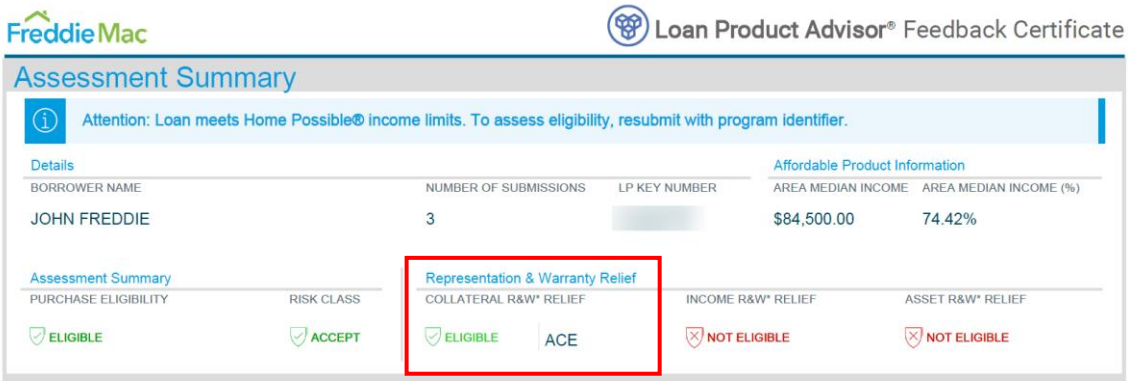
Messages are provided in Loan Product Advisor, Loan Quality Advisor, Loan Selling Advisor and Loan Coverage Advisor. Each of these tools provides a key indication or message(s) regarding the automated collateral evaluation appraisal waiver in its results. Refer to the applicable sections below.

Loan Product Advisor

If the Seller accepts the appraisal waiver option for purchase transactions, Freddie Mac will accept the purchase price as the value of the mortgaged premises entered in the *Sales Contract Price* field, or for a refinance transaction, Freddie Mac will accept the estimated value as the value of the mortgaged premises entered in the *Estimated Property Value* field.

> **Note:** Effective June 6, 2024 for refinance mortgages, Sellers are required to have written procedures in place that prohibit changes to the estimated property value in Loan Product Advisor for the purpose of obtaining ACE or more favorable mortgage terms. The procedures must include a process for establishing the estimated, which may include, but is not limited to, the use of the borrower's estimated value, an Automated Valuation Model (AVM) or an online valuation tool or website.

As a reminder, the lender should not order an appraisal prior to initially submitting the loan to LPA. Loans where an appraisal has been obtained are not eligible for an appraisal waiver. LPA restricts ACE eligibility when an appraisal is identified in the Uniform Collateral Data Portal® (UCDP®) and the appraisal has an effective date within 120 days of an initial LPA submission. A feedback message corresponding to this restriction will be returned on the Feedback Certificate.

Results	Key ACE Results
Eligible	If **eligible** for ACE, the Feedback Certificate will include the following information: ▪ **Assessment Summary** section: Representation & Warranty Relief – Collateral R&W Relief indicates Eligible / ACE  ▪ **Property and Appraisal Messages** section: ○ Message FPA0023 *"Loan is eligible for collateral representation and warranty relief with an appraisal waiver through [expiration date]. The submitted value estimate or purchase price is accepted as the value of the subject property; an appraisal is not required, and Seller will be relieved of representations and warranties related to value, condition and marketability.* ○ Message FPA0010 "*This loan is eligible for an appraisal waiver. If the waiver is not accepted a property data report or appraisal is required."*

Results	Key ACE Results
Eligible *(cont'd)*	Property and Appraisal Messages CODE / MESSAGE FPA0023 — Loan is eligible for collateral representation and warranty relief with an appraisal waiver through 11/29/2024. The submitted value estimate or purchase price is accepted as the value of the subject property; an appraisal is not required and Seller will be relieved of representations and warranties related to value, condition and marketability. FPA0072 — 766,550.00 is the maximum loan limit allowed for a 1-unit property located in [redacted] FPA0057 — Address entered matched to: [redacted] County. Please confirm accuracy. FPA0103 — The loan is a refinance on a primary residence where JOHN FREDDIE indicates they will occupy the property. However, their current address differs from the subject property address. Verify, update and resubmit the loan. FPA0010 — Loan is eligible for an appraisal waiver. If the waiver is not accepted, a property data report or appraisal is required.

Loan Quality Advisor

Loan Quality Advisor helps to facilitate a smoother delivery process by identifying errors and validating purchase eligibility prior to delivery. To validate the loan's eligibility for an appraisal waiver, submit the loan as you normally do and review the results.

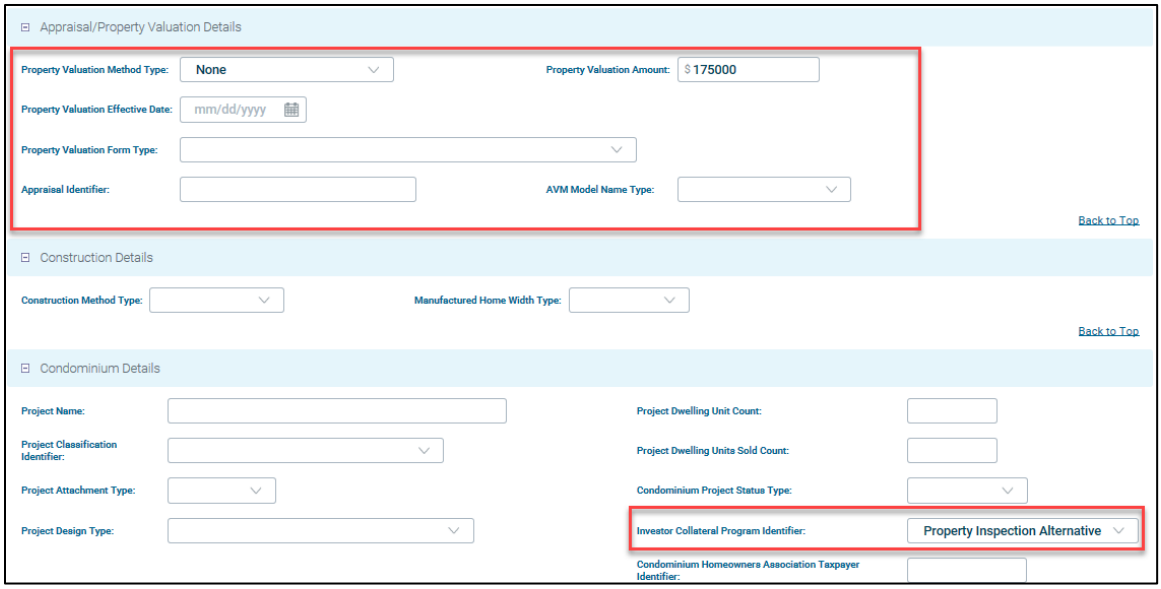
Results	Key ACE Results
Green Result	If the eligibility for an appraisal waiver from LPA is validated, then the Collateral Representation and Warranty Relief Service will indicate a GREEN result with the CY1010 message: "Loan is eligible for collateral representation and warranty relief with an appraisal waiver through [expiration date – MM/DD/YYY]. The submitted value estimate or purchase price is accepted as the value of the subject property; an appraisal is not required and Seller will be relieved of representations and warranties related to value, condition and marketability." Collateral Representation and Warranty Relief Results RESULT GREEN COLLATERAL REPRESENTATION AND WARRANTY RELIEF MESSAGES CODE / MESSAGE CY1010 — Loan is eligible for collateral representation and warranty relief with an appraisal waiver through 12/10/2024. The submitted value estimate or purchase price is accepted as the value of the subject property; an appraisal is not required and Seller will be relieved of representations and warranties related to value, condition and marketability.

Results	Key ACE Results
Yellow Result	If eligibility for the appraisal waiver in LPA is invalidated because the data freshness period exceeds 120 days, then the Collateral Representation and Warranty Relief Service will indicate a YELLOW result with the CN2325 message: “This loan is no longer eligible for an appraisal waiver because the Note Date is after the expiration date of the appraisal waiver that was offered in Loan Product Advisor.” If eligibility for the appraisal waiver in Loan Product Advisor is invalidated because one of the key data elements (estimate of the loan amount, value, property type, or LTV) changed, then the Collateral Representation and Warranty Relief Service will indicate a YELLOW result with the CN2170 message: “This loan is no longer eligible for an appraisal waiver because one or more of the key data elements originally used to obtain the waiver has changed. Verify data as noted in additional messages.”

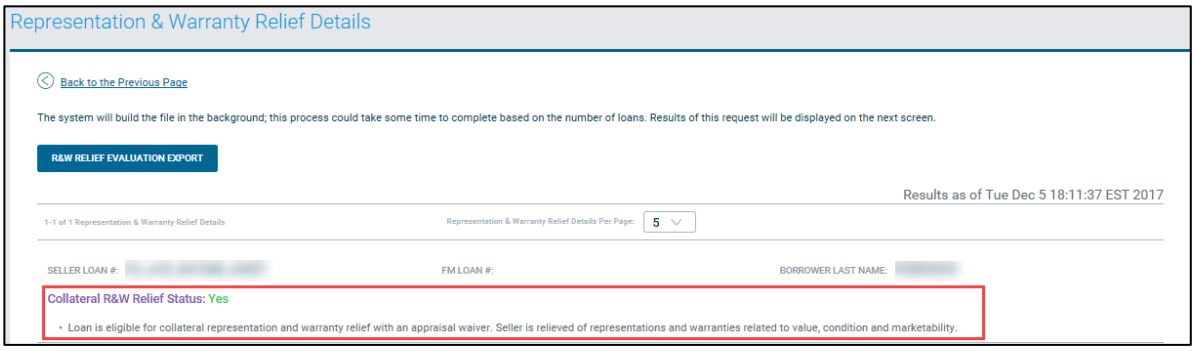
Loan Selling Advisor

To confirm eligibility for an appraisal waiver in Loan Selling Advisor, deliver the fields shown in the table below:

Field Name	Sort ID	What to Deliver
Property Structure Built Year	67	9999
Property Valuation Method Type	89	None
Property Valuation Amount	83	This value should match the *Purchase Price* field or *Estimated Value of Property* field in Loan Product Advisor
Property Valuation Effective Date	84	Leave blank
Property Valuation Form Type	85	Leave blank
Appraisal Identifier	82	Leave blank
Investor Collateral Program Identifier	376	Property Inspection Alternative



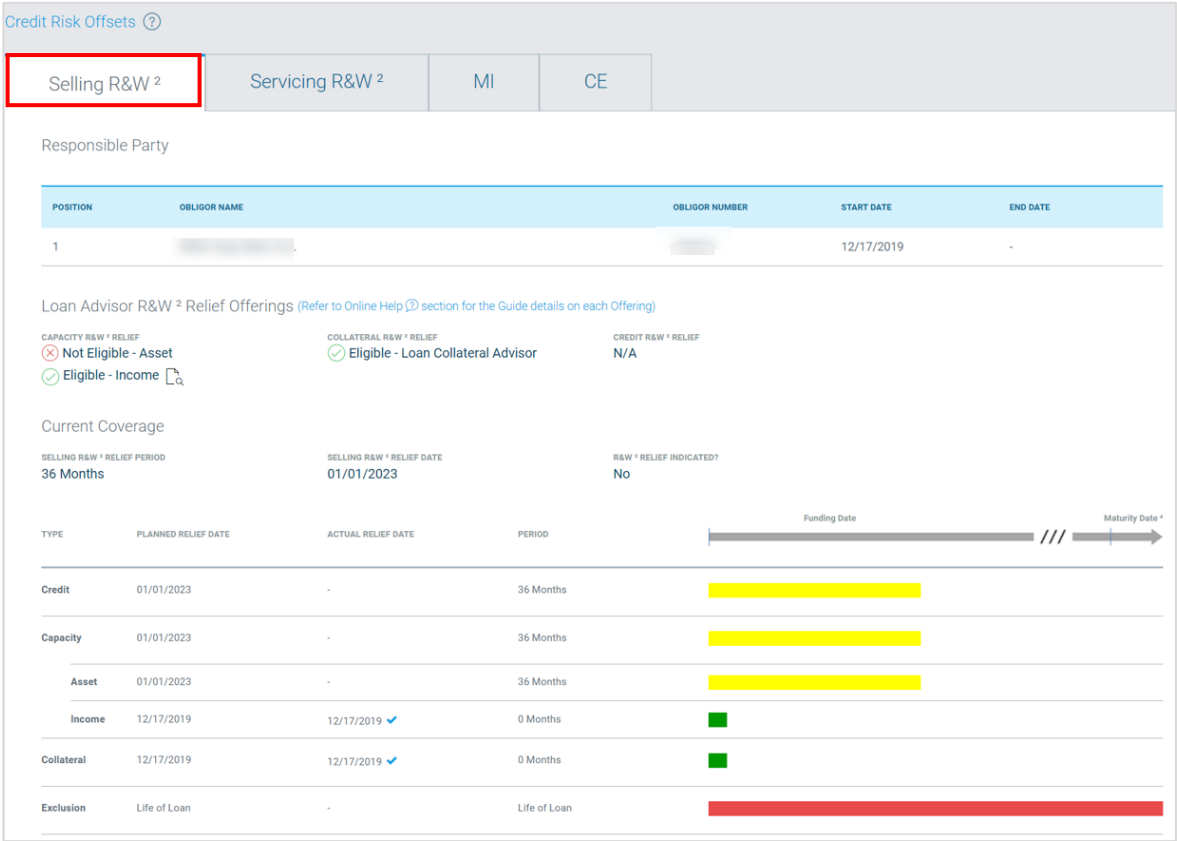
Best Practice – We recommend the use of Loan Quality Advisor to validate that there are no material changes to your loan data that will alter the status of your LPA results and ensure there are no data discrepancies between the data in LPA and the data delivered in Loan Selling Advisor for an efficient process. .

Results	Key ACE Results
Loan Selling Advisor	If eligibility for the appraisal waiver in LPA is confirmed, then the "Representation & Warranty Relief Details" screen returns: ▪ Yes, in the Collateral R&W Relief Status field, and ▪ The following message, and if applicable, other collateral representation and warranty relief messages: "Loan is eligible for Collateral Representation and Warranty Relief with an appraisal waiver. Seller is relieved of representations and warranties related to value, condition and marketability." 

NOTE: If the Settlement Date is more than 120 days after the Note Date, you must warrant the value of the subject property at the time of the Settlement Date is not less than the estimated value or sales price used to underwrite the Mortgage in LPA. If you cannot make this warranty, the mortgage is eligible for sale only through a negotiated sales transaction through our bulk sales unit.

Loan Coverage Advisor

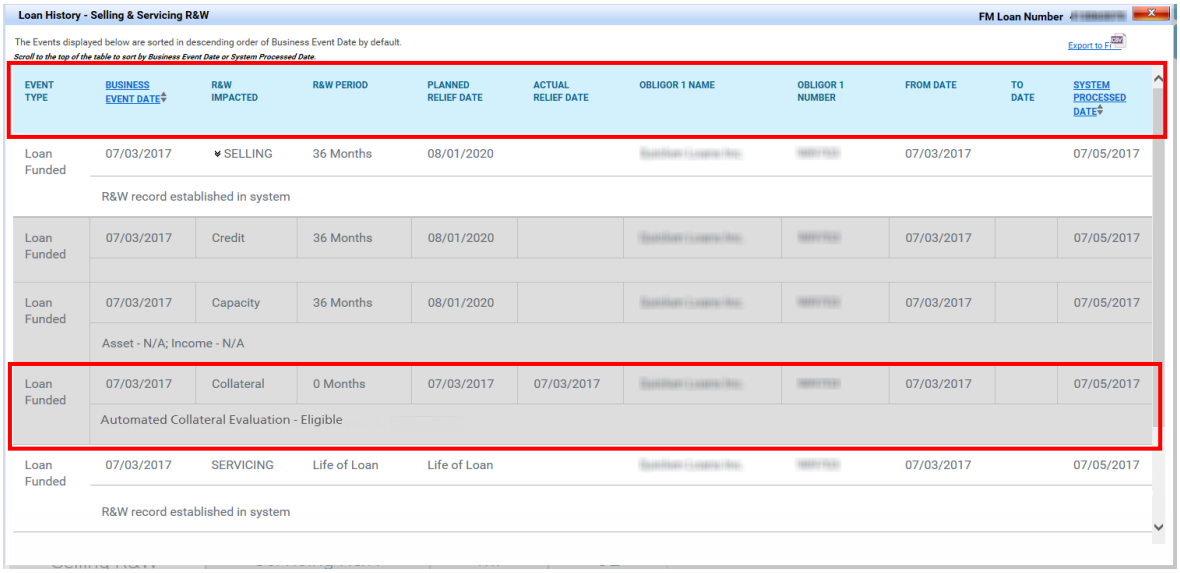
Results	Key ACE Results
Eligibility Results	The collateral representation and warranty relief is documented in Loan Coverage Advisor on the "Selling R&W" tab of the "Credit Risk Offset Details". The blue checkmark in the "Actual Relief Date" field and green bar under Funding Date indicate the loan has received relief from representations and warranties regarding value, condition, and marketability of the property.



The Loan History page will indicate the following for the Collateral Loan Funded event:

- 0 Months in the R&W Period field
- Same date for Business Event Date, Planned Relief Date and Actual Relief Date
- Automated Collateral Evaluation – Eligible

Note: A Doc File ID will be absent from the record, also indicating no appraisal was obtained for the loan.

Results	Key ACE Results
	

Loan History - Selling & Servicing R&W

FM Loan Number

The Events displayed below are sorted in descending order of Business Event Date by default.

Scroll to the top of the table to sort by Business Event Date or System Processed Date.

Export to F

EVENT TYPE	BUSINESS EVENT DATE	R&W IMPACTED	R&W PERIOD	PLANNED RELIEF DATE	ACTUAL RELIEF DATE	OBLIGOR 1 NAME	OBLIGOR 1 NUMBER	FROM DATE	TO DATE	SYSTEM PROCESSED DATE
Loan Funded	07/03/2017	SELLING	36 Months	08/01/2020		[redacted]	[redacted]	07/03/2017		07/05/2017
	R&W record established in system									
Loan Funded	07/03/2017	Credit	36 Months	08/01/2020		[redacted]	[redacted]	07/03/2017		07/05/2017
Loan Funded	07/03/2017	Capacity	36 Months	08/01/2020		[redacted]	[redacted]	07/03/2017		07/05/2017
	Asset - N/A; Income - N/A									
Loan Funded	07/03/2017	Collateral	0 Months	07/03/2017	07/03/2017	[redacted]	[redacted]	07/03/2017		07/05/2017
	Automated Collateral Evaluation - Eligible									
Loan Funded	07/03/2017	SERVICING	Life of Loan	Life of Loan		[redacted]	[redacted]	07/03/2017		07/05/2017
	R&W record established in system									

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