

## Fannie Mae wants appraisal data submitted electronically

The mortgage giant Fannie Mae has called for a technological upgrade in the way it receives appraisal data. Announcement 9-14 calls for all appraisal data to be submitted electronically in the MISMO Appraisal XML format from March 1, 2010 onwards. The new guideline applies to lenders who submit the data as part of a loan file.

The changes are intended to increase the identification and accountability involved in loan processing. In its announcement, Fannie Mae calls this "another step in [our] ongoing efforts to improve loan quality." The requirements are for the submission of electronic appraisal reports and enhancements to the loan delivery file format.

Under the previous system, appraisers submitted their files in a locked PDF, where the data could not be removed electronically and used for regression analysis or other purposes. The new system takes away the need for manual removal of data, as the technology makes it possible to easily mine the data contained in the MISMO XML standard.

In the accompanying FAQ, Fannie Mae said it would use the data and information in the reports to develop tools and metrics with the intent of providing feedback to lenders "regarding the quality and eligibility of the property and appraisal report." The announcement also expressed the hope that the information could help identify potential fraud through suspicious patterns.

The requirement for using MISMO XML was slightly undermined by a section of the FAQ, which said Fannie Mae would accommodate other electronic delivery systems, including Lighthouse and AIReady, with a full and detailed list of other

providers given at a later date.

However, it did say that Fannie Mae would support conversion from other XML standards to MISMO XML, but didn't give any additional information. Technical specifications would be provided by Sept. 30, 2009.

In Announcement 9-11, released at the beginning of May, Fannie said it was updating the loan delivery format of Form 1003, the Uniform Residential Loan Application (URLA), due to requirements from the Federal Housing Finance Agency.

The changes updated the 2000-Character Loan Delivery File to include identifiers for loan originators and appraisers. The loan originator identifier was the number from the Nationwide Mortgage Licensing System and Registry (NMLS), part of the Secure and Fair Enforcement Mortgage Licensing Act (S.A.F.E.).

Appraisers have to put in their state license or certification number. Review appraisers need to put their number in the number field if the review results in a change of value. Any appraisers who are employees, sub-contractors, or trainees, should put the number of the supervisor's license or certification in the number field.

However, the new requirements make the 2000-Character Delivery File obsolete. Fannie Mae has said it would work with lenders to establish a specific timeframe for the transition to the MISMO XML format.

Several companies were quick to support the new requirements as their technology automatically complied with the new standards. FNC Inc., who has used AIReady XML for a number of years, said in a press release that it believed the changes

would contribute "to better risk assessment and improved transparency." Indeed, FNC's clients already comply with the new requirements.

"Clients who use FNC's Collateral Management System, Collateral HQ or AppraisalPort systems to manage their loan origination processes should not be affected when the new rules take effect," said **Neil Olson**, FNC chief legal officer.

Veros Real Estate Solutions, the provider of risk management and collateral valuation services, also remained unaffected by Fannie Mae's announcement. Lender clients who used the company's Valuation Risk Management system for ordering appraisals have their reports automatically integrated into MISMO XML standards in line with the Fannie Mae system.

"We want all lenders who sell to Fannie Mae to be aware of the new electronic appraisal requirement and immediately have access through Veros' connection," said Veros president and CEO **Darius Bozorgi**. "We share Fannie Mae's goal of improving overall loan quality and we believe we are in the best position to help lenders in that regard."

Fannie Mae's announcement has shown the GSE is determined to upgrade the technology of the loan processing industry. Appraisal reports will now be able to be mined for relevant data, which could be used for improved metrics.

It is likely that these requirements will herald a change in the industry, with more appraisers and lenders taking up the MISMO XML standard.

For more information, visit [www.mxcompliance.mismo.org](http://www.mxcompliance.mismo.org)