Where Are We Now?

Because of the dynamic secondary market, the services and capabilities offered by Fannie Mae change frequently. Visiting the Fannie Mae website often is highly recommended. Below are a few specific areas of interest.

- **Fannie Mae's Monthly National Housing Survey**
  http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html
- **Fannie Mae's Monthly National Housing Survey**
  http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html
- **Americans' Housing Optimism Gains More Momentum amid Reported Income Growth; Supports Forecast of Pick-up in Housing Activity This Year**
  http://www.fanniemae.com/portal/about-us/media/corporate-news/2015/6259.html
- **HUD AND FANNIE MAE ANNOUNCE EXPANSION OF GREEN PRESERVATION PLUS that Pays for Energy-Efficient Upgrades in Affordable Apartments**
  http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2014/HUDNo_14-043
- **The Fannie Mae Loan Lookup enables mortgage borrowers to quickly determine if Fannie Mae owns their loan**
  https://www.knowyouroptions.com/loanlookup
- **Know Your Options: Avoid Foreclosure**
  http://www.knowyouroptions.com/avoid-foreclosure

Freddie Mac's Loan Prospector®

Freddie Mac's automated underwriting system, called **Loan Prospector®**, was released nationally in February 1995. It is limited for use by Freddie Mac's seller/servicers, who are required to submit verification of the data submitted. The information submitted is that required by the Uniform Residential Loan Application (Freddie Mac Form 65). In earlier years, the initial charge for an analysis was $100; now it is just $20. Verification of the applicant's employment, income, and assets is required.

If the loan-to-value ratio is greater than 80%, the application is forwarded to a private mortgage insurer chosen by the lender. All major mortgage insurers are represented on the Freddie Mac system.

Loan Prospector® is intended to provide lenders with a quick and easy way to streamline the document-gathering process for borrowers, with two documentation levels that define required borrower documentation needs and offer helpful underwriting reminders. Loan Prospector® benefits borrowers as it allows them to know exactly what they need to gather, and users have found it easier to process more loans with less work. When a loan is submitted to the site, one of the following recommendations will be returned on the Full Feedback Certificate: (1) Accept, or (2) Caution.

If the product is an Agency loan product, Freddie Mac offers reduced representations and warranties on eligible loans that receive an "Accept" recommendation. In addition to providing a "Credit Risk" recommendation of either Accept or Caution, Loan Prospector® computer software classifies the "accepted" applications into two classifications that drive documentation requirements for the loan applicant, as follows:

- **Streamlined Accept**—Allows one to take advantage of fewer documentation requirements than traditionally underwritten loans for the Accept risk class. For example, salaried and hourly income borrowers will need just one pay stub showing year-to-date earnings for the most recent 30 days, one W-2, verbal verification, and one recent bank statement.
- **Standard**—Requires Standard Guide documentation for higher-risk loans, including some Accept risk class loans, A-minus eligible loans, and Caution risk class loans. For this level, additional documentation must be collected; for example, two bank statements and two W-2s. Note, however, that one pay stub covering the most recent 30 days and verbal verification of employment are still required.

If the classification is Caution, which is true for about 30% of those applications submitted, it, too, is returned to the lender's underwriters. The most common reason for this return is that some serious issue has been found that may disallow Freddie Mac from purchasing the loan. The computer does not reject any loan, but sends those applications that do not meet approval/acceptance back to the lender for further human underwriting.

Credit Approval by Loan Prospector

A lender is allowed to choose among five approved credit reporting companies.[2] Credit reports are available that merge information from at least two of the three major databases. *Loan Prospector* also has the ability to access the credit card database to determine total credit available and the percentage of credit being used.

Collateral Assessments

Property evaluation is not called an "appraisal" by *Loan Prospector*; it is a **collateral assessment**. The program assesses whether or not the collateral is sufficient to secure the loan.

Freddie Mac's **Automated Valuation Model (AVM)** tool simplifies the mortgage process by streamlining the collateral valuation cycle. It is called Home Value Explorer® (HVE®). This system is replacing a service called *Gold Works* that, up until November 2008, linked a lender directly with the appraiser. For over 15 years, Freddie Mac has effectively employed AVMs internally for its own risk and portfolio management. AVMs have become an integral part of today's mortgage market, and AVM technology has advanced the world of automated valuation services from novelty to necessity.

In nationwide tests conducted by large wholesale lenders, HVE consistently performs at the top in the areas of coverage, accuracy, and reliability. HVE actually encompasses several models rolled into a single product for one low cost. Freddie Mac believes that lenders will benefit from its unique proprietary algorithm that blends multiple model estimates returned by the repeat sales model and the hedonic model.

Today, AVMs are efficient, effective, and essential tools for staying competitive. AVMs expedite processes, lower costs, and minimize risk. When choosing an AVM, it is important to consider coverage, vendor reputation, current technology, accuracy, and price. Freddie Mac claims to have a dedicated team of modeling experts that will continue to improve and enhance the HVE tool.

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[2] Freddie Mac (2015). List of Approved Credit Reporting Companies for Loan Prospector®. Accessed on Feb. 7, 2015 at http://www.loanprospector.com/about/crc.html