



**SERVICES PROCUREMENT VOCABULARY
AND THE
NEW UNIFORM RESIDENTIAL APPRAISAL REPORT
A CRN STANDARDS COMMITTEE POSITION PAPER
April, 2024**

Contents

Mission.....	3
Introduction	3
Background	4
Overview of the general procurement process	5
Intended Audience Overview.....	6
Engagement Considerations for the New URAR.....	9
Recommendation.....	10
Call To Action.....	10
Resources and References.....	11
Glossary	11

Mission

Provide a recommendation for an industry standard for the residential real estate valuation procurement process that identifies the requirements of and signals the impact of the same to all stakeholders while preserving appraisal independence at each stage.

Introduction

The Federal Housing Finance Agency (FHFA) has directed Fannie Mae and Freddie Mac (collectively the GSEs) to improve the Uniform Appraisal Dataset (UAD). Additionally, the FHA and VA, as users of current GSE appraisal form templates, are impacted and charting their own implementation plans. This paper primarily seeks to address the broader industry impact that this FHFA initiative will have. Heretofore, a multi-year project (UAD2) has been underway that dramatically changes the reporting requirements for the appraisal for loans sold to them. Presently, a mid-2025 implementation date is planned for the new requirements.

As a cross-section of the industry, the CRN Standards Committee felt we could provide some perspective on the readiness and considerations that the various stakeholders need to think about when preparing for the upcoming changes.

We are well positioned to share our frame of reference on how services are ordered currently and how the new requirements for UAD2 will need to be considered holistically.

To assist in the industry's transition, this paper outlines procurement considerations that are impacted by UAD2 and identifies the common elements and language that should be included in the service order.

NOTE: *The current UAD is now named "Legacy UAD" by the GSEs and the new UAD standard is simply referred to as UAD. For purposes of this paper, we will use the term UAD2 to highlight new requirements so to illustrate differences compared to the original, (now legacy) UAD.*

Background

Generally, the common factor has been the appraisal reporting property type specific form templates published by Fannie Mae and Freddie Mac. The Uniform Residential Appraisal Report forms have been published under form numbers, e.g. 1004 is the form for the single family. These form numbers are used as shorthand by the industry to convey the details that are encompassed in that type of assignment. The last update to the appraisal form templates, which have become the industry's de facto standard, was last updated in 2005. This introduced a change from a 2-page form report to a 4-page form report. The impact to the industry reflected a notable increase in the time required for appraisers to complete the GSE form, increase in appraisal fees, and prompted a noticeable attrition in the appraiser workforce.

Valuation services for residential real estate have historically encompassed the hiring of a professional, licensed, or certified appraiser. Appraisers are not only licensed in most states, but they are also bound by a professional standard introduced under FIRREA, the Uniform Standards of Professional Appraisal Practice (USPAP). From the introduction of USPAP in 1989 through the introduction of the Home Valuation Code of Conduct (HVCC) in 2008, appraisers were generally either on staff with financial institutions or were a part of appraisal firms that worked directly with banks and lenders. HVCC was an agreement between Fannie Mae and Freddie Mac and the New York Attorney General as a settlement resulting from fallout in mortgage crisis.

At the time, there was a small number of appraisal management companies (AMCs). With the advent of HVCC, the market share for AMCs shifted from approximately 20% to 80% as lenders grappled with the challenge of maintaining different appraisal procurement practices for loans sold to Fannie Mae and Freddie Mac versus the rest of their business. This prompted many staff appraisers to become independent contractors, signing up to work with the newly forming AMCs. Generally, AMCs compete on service levels to manage the procurement of the valuation, management of qualified appraiser panels and, report quality assurance and other compliance-related tasks for their lender-clients. The shift prompted by HVCC to a single ordering approach was a sea-change. The shift to the new URAR will have a similar impact on the industry.

In 2011, at the direction of their regulator, FHFA, the GSEs introduced detailed instructions for completing the appraisal forms for single family and condominiums. This initial data requirement is known as the "Uniform Appraisal Dataset" (UAD) was limited to single family and condo assignments, using 2.6GSE, a proprietary format, but the other forms and delivered in standard MISMO 2.6 Errata 1 format. The (URAR) form templates were not modified in the original UAD. Rather, it was an instructional effort aimed to put specific information in specific locations using abbreviations and semi-colons to delimit the new field level requirements. And a new datafile was specified on a MISMO standard and published under the UAD initiative as 2.6GSE. Appraisers use special software to prepare appraisal reports and the corresponding 2.6GSE data files needed.

The current UAD file 2.6GSE is delivered to a central collection point, the Uniform Collateral Data Portal (UCDP). It is important to note that appraisers are not allowed to deliver directly to the UCDP. Only lenders or their approved agents. UAD2 will also be delivered to a central collection point/UCDP.

UAD2 is using a new definition of the Uniform Residential Appraisal Report (URAR) to eliminate the individual boilerplate form templates. The single URAR reporting requirement employs a minimum standard of content that will always apply, plus specific additional sections that are conditional to the property being appraised. When the condition for that type of section does not exist for the property being appraised, that section will not appear on the URAR at all. It is also important to note that UAD2 significantly expands the required data. The UAD2 data specification is a derivative of the new MISMO 3.6 Reference Model schema. It should be noted that the MISMO structure can support all types of property and valuation service products, including inspection-only, AVMs, desktops and hybrids.

Many industry-participants have custom integrations, proprietary software and vendor-dependent processes which will all be disrupted by UAD2. For purposes of this paper, we are focused on the common ground of the expression of the order for services that as to adapt to the fact that the form number associated with the legacy appraisal forms, which have been published by the GSEs for decades is being eliminated. And, that these boilerplate formats, specific to property types are being replaced by a single reporting requirement with both required and conditional information.

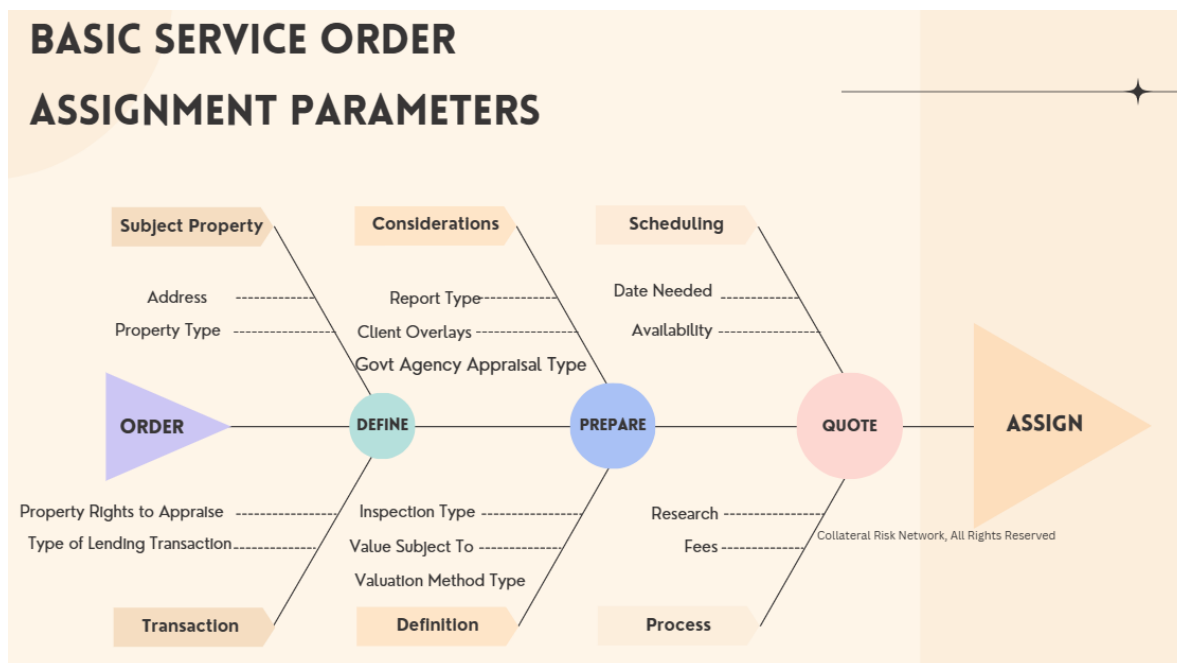
[Overview of the general procurement process](#)

Lenders either manage appraiser panels and order management themselves or outsource the task to a third-party AMC. The procurement for valuation services typically is initiated with the processing of a mortgage application. The timeframe for the completion of the valuation is tied directly to the timeline for the fulfillment of the loan, which is typically towards the end of the approval process. This is further complicated by the timeline requirements for the Loan Estimate (LE) and Closing Disclosure (CD) by pressuring resources to quote and fulfill in a timely manner due to these external deadlines for disclosure of fees to the consumer.

The additional details of requirements for the service are commonly referred to as “assignment parameters” which contribute to scheduling turn-times and pricing for services. These details are used to alongside the current “form number” to initiate the order and include information such as the type of service, appraiser’s qualifications needed, and other pertinent details that allow the parties to negotiate the price and delivery expectations for the (valuation) service.

The following straw diagram outlines the baseline of such parameters and how they fit into both the management of the procurement process but also drive the details that will be represented in the resulting valuation output that is delivered to the client:

FIG. 1 BASIC VALUATION SERVICE ORDER ASSIGNMENT PARAMETERS



Intended Audience Overview

The changes to the appraisal reporting requirements under the UAD2 will have an impact to the order management operations for all stakeholders in the ecosystem including:

- Appraisers
- Appraisal Management Companies
- Consumers
- Federal Agencies
- Lenders
- Portfolio lenders
- Internal/External Auditors
- Aggregating investors
- Private investors
- Technology Vendors
 - Appraiser software (forms) vendors
 - Order platforms,
 - QC systems
 - AI generative systems
- Third Party Reviewers
- Education Providers
- State Regulators
- Federal Regulators

In addition to eliminating the form numbers, the individual boilerplate templates per property type are consolidated to a single reporting layout for the Uniform Residential Appraisal Report (URAR). The following existing GSE forms are impacted:

Legacy Appraisal Form Name	Fannie Mae Form	Freddie Mac Form
Uniform Residential Appraisal Report	1004	70
Individual Condominium Unit Appraisal Report	1073	465
Exterior-Only Inspection Individual Condominium Unit Appraisal Report	1075	466
Exterior-Only Inspection Residential Appraisal Report	2055	2055
Manufactured Home Appraisal Report	1004C	70B
Individual Cooperative Interest Appraisal Report	2090	-
Exterior-Only Individual Cooperative Interest Appraisal Report	2095	-
Small Residential Income Property Appraisal Report	1025	72
Appraisal Update Form	1004D	442


Uniform Residential Appraisal Report

123 FALLING TREE CT, TREEVILLE, VA 12345

SUMMARY

Opinion of Market Value	\$491,000	Market Value Condition	Subject to Repair
Final Value Condition Statement This appraisal is made subject to the itemized list of repairs or alterations below on the basis of a hypothetical condition that the repairs or alterations have been completed. This might have affected the assignment results.			
Effective Date of Appraisal	09/20/2019	Property Valuation Method	Traditional Appraisal
Assignment Reason	Purchase	Appraiser Name	Agatha Appraiser
Borrower Name	Betty Borrower Bob Borrower		
Current Owner of Public Record	Jane Doe		
Contract Price	\$489,000		
Listing Status	Pending		

Property Description

Construction Method	Site Built	Overall Quality	Q4
Attachment Type	Detached	Overall Condition	C4
Planned Unit Development (PUD)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	 <p>This is where the Subject Property photo would display.</p>	
Condominium	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Cooperative	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Condominium	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Subject Site Owned in Common	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Units Excluding ADUs	1		
Accessory Dwelling Units	0		
Property Rights Appraised	Fee Simple		
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Zoning Compliance	Legal		

Sample URAR Summary and Page 2 sourced from FannieMae.com/UAD/Appendix D-1

Assignment Information

Assignment Reason	Purchase	Property Valuation Method	Traditional Appraisal
Borrower Name	Betty Borrower		
	Bob Borrower	Was a Property Data Report used in lieu of an Inspection?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Seller Name	Jane Doe		
Current Owner of Public Record	Jane Doe		

Contact Information

Client/Lender

Company Name	DEF Bank
Company Address	200 Elm St
	Anytown, VA 12346

Appraisal Management Company

Company Name	XYZ Appraisal Management Company
Company Address	300 Maple Ave
	Anytown, VA 12345

Appraiser

Name	Agatha Appraiser
Designation	SRA
Company Name	ABC Appraisal Co.
Company Address	123 Main St
	Anytown, VA 12345

Credentials

Level	Certified Residential
ID	XYZ12345
State	VA
Expires	10/10/2020

Scope of Inspection by Appraiser

Subject Property Inspection	
Exterior	Physical
Interior	Physical
Inspection Date	09/20/2019

Significant Real Property Appraisal Assistance

Name	Andrew Appraiser
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Credentials

Level	None
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Description Andrew Appraiser, a trainee appraiser, filled out the Market section, provided the Market Analysis, assisted in measuring property, and did an exterior inspection of the comparables from the street.

Subject Property

Physical Address	123 Falling Tree Ct	Attachment Type	Detached
	Treenville, VA 12345	Units Excluding ADUs	1
County	Arboreal	Accessory Dwelling Units	0
Neighborhood Name	Sunnyside	Special Tax Assessments	No

	Yes	No
Planned Unit Development (PUD)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Condominium	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cooperative	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Condop	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Property on Native American Lands	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Subject Site Owned in Common	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Homeowner Responsible for all Exterior Maintenance of Dwelling(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
New Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Ownership Rights

Property Rights Appraised	Fee Simple	All Rights Included in Appraisal	Yes
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Legal Description

Lot 53 Sunnyside Subdivision

Engagement Considerations for the New URAR

- Some clients may continue to use form numbers as reference or product names and pricing. This could create confusion or delays if the AMC or appraiser does not clearly understand what the product requirement is. Continuing the use of legacy form numbers will ultimately not be sustainable.
- While the forms are being retired for GSE use, many appraisers and clients may wish to still use those “obsolete” forms for other purposes. Additionally, AMCs or others may continue to use the form numbers as product or accounting names.
- Appraisers should confirm the assignment’s reporting requirement along with the key elements of the order including property type, level of inspection, value definition.

USPAP considerations:

- Property type change not a new assignment (but needs a feedback loop to the lender – as it would no longer be signified as change of the form template required but could impact the deal)
- Scope of work: data value, date of inspection, client requirements
- USPAP Standards Rule 1.1
 - i. Who is the client and intended users?
 - ii. Intended Use
 - iii. Definition of value
 - iv. Effective date
 - v. Characteristics of the property relevant to definition of value
 - vi. Extraordinary Assumptions & Hypothetical Conditions
- Appraisal reporting software will provide its appraiser users the correct type of outputs for the type of assignment. For example, the new URAR would be produced with the UAD2 XML corresponding file and other required elements.
- Management platforms and other systems of record will need attention to ensure that there is support for the new URAR, understanding that it will co-exist for some measure of time with the legacy forms. And, to accommodate the order parameters without a form number.

- Valuation Review templates, processes and procedures will need to be revised to accommodate the new URAR. This includes any automated rules-based systems, output reporting and/or systemic operational flows with regard to report quality assurance and acceptability of the valuation product. Impacts to operations for vendor-management performance metrics are anticipated.
- Other considerations in readiness planning is to review and modify as necessary any form number dependent process or procedure and replace it with the minimum order details recommended in this paper. This includes communications, billing, payment, tracking and general operating practices that are form number dependent or adjacent.

Recommendation

The work of this committee has concluded that given the elimination of form numbers, a common vocabulary to define the needed elements for the product order would benefit all stakeholders in the valuation services procurement process. Further, this approach would prevent unnecessary confusion and extra handling by appraisers in the field, especially as the new reporting requirements for the URAR are initially implemented.

The fields recommended for this common taxonomy are derived from the MISMO version 3.6 Reference Model (RM) and can be leveraged into data specification for integration of systems in either a JSON or an XML format. It is important to note that this recommendation includes elements which are also used in the UAD2 specification for the new URAR and therefore included in the dataset submitted to the UCDP.

Standardizing and modernizing the engagement process used by order management platforms, review services and appraisal client's system (s) align with the same concepts in the appraiser's reporting software. A primary benefit of using the details from the new dataset in the procurement process also helps to reinforce the new terms that are integral to the new URAR reporting requirements.

Call To Action

The timeline for implementing UAD2 has already begun. Parallel processing of the acceptance of the existing forms and the new URAR is targeted for mid-2025 with full implementation of the new format required in mid-2026.

Appraisers should complete their due diligence and be prepared by connecting with their software providers as well as their clients to be prepared.

Lenders, AMCs and providers of procurement platforms and related services need to prepare their processes and procedures to transaction without the various form numbers which have acted as a proxy for primary valuation order details such as property type, definition of value, inspection requirements, etc. used in the engagement process.

Resources and References

RESOURCE	DESCRIPTION
Fannie Mae	www.fanniemae.com/UAD
Freddie Mac	www.freddiemac.com/UAD

Glossary

TERM	DEFINITION
AMC	Appraisal Management Company
FHFA	Federal Housing Finance Agency – the regulator of Fannie Mae and Freddie Mac
GSE	Government Sponsored Enterprise term generally used for Fannie Mae and Freddie Mac
Legacy UAD	The reference by Fannie Mae and Freddie Mac for the original UAD specifications introduced in 2011 and currently in force.
UAD	Uniform Appraisal Dataset – the name of the data specification under FHFA’s UMDP (and reference to the new updates or UAD2).
UAD2	A reference in this paper referring to the future state of the UAD.
UCDP	Uniform Collateral Data Portal
UMDP	Uniform Mortgage Data Program
URAR	Uniform Residential Appraisal Report – as defined and published by the GSEs