

Bulletin

TO: Freddie Mac Sellers

December 2, 2022 | 2022-24

SUBJECT: AUTOMATED COLLATERAL EVALUATION (ACE) ELIGIBILITY

We are updating the ACE+ PDR requirements announced in Guide Bulletin 2022-13 on June 15, 2022, as follows:

- **Updating the ineligible Mortgages requirements to align with updates to the automated collateral evaluation (ACE) requirements announced in Bulletins 2022-11 and 2022-16. These updates include:**
 - **Age-based resale restricted properties are now eligible (effective immediately)**
 - **Seller Owned Modified Mortgages that are Home Possible® Mortgages are not eligible (effective for Mortgages with Settlement Dates on and after March 2, 2023), and**
 - **Mortgages that use the rental income generated from an ADU on a subject 1-unit Primary Residence for qualification purposes are not eligible (effective for Mortgages with Settlement Dates on and after March 2, 2023)**
- **Adding a reference to the new Form 465H, *Individual Condominium Unit Appraisal Report (Hybrid)*, for Condominium Units when the PDR requires an upgrade to an appraisal (effective immediately)**

The full requirements from Bulletin 2022-13 appear below, with the updates noted above incorporated. The paragraphs including updates are bolded for ease of reference.

The ACE+ PDR requirements in this Bulletin supersede and replace those announced in Bulletins 2022-6 and 2022-13 and the Guide. Sellers must comply with the requirements in this Bulletin for all Mortgages originated and delivered using the ACE+ PDR offering.

ACE APPRAISAL WAIVER ELIGIBILITY UPDATE

Effective July 17, 2022, Loan Product Advisor® transitioned from offering ACE appraisal waivers to offering ACE+ PDR (property data report) for cash-out refinance and certain “no cash-out” refinance Mortgages. This change allows Sellers and Borrowers to continue to benefit from loans originated without an appraisal while mitigating risks and ensuring we purchase Mortgages secured by properties in acceptable condition.

The chart below reflects updated requirements related to Mortgage purpose, property type, and maximum loan-to-value (LTV)/total LTV (TLTV) ratios for ACE appraisal waivers.

| ACE appraisal waiver eligibility | | |
|----------------------------------|----------------------------------|-----------------|
| Mortgage Purpose | Occupancy Type | LTV/TLTV ratios |
| Purchase | Primary Residence or second home | 80% |
| “No cash-out” refinance | Primary Residence or second home | 90% |

ACE+ PDR

As described above, cash-out refinance transactions and certain “no cash-out” refinance transactions will no longer be eligible for ACE appraisal waivers. However, our new offering, ACE+ PDR, continues to allow Sellers to originate cash-out refinance and certain “no cash-out” refinance Mortgages without an appraisal. With ACE+ PDR, additional property



information is collected on-site by trained data collectors using the proprietary Freddie Mac PDR dataset, in lieu of a traditional appraisal.

When the ACE+ PDR option is accepted and a PDR has been used to originate the Mortgage, Freddie Mac will accept the estimated value submitted by the Seller for the purposes of underwriting the Mortgage, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller’s selling representations and warranties related to **value** only.

Certain components of the ACE+ PDR offering are being reviewed and tested at this time; therefore, the Guide will not be updated to reflect this change but will be updated at a date to be determined. Until then, Sellers should refer to this Bulletin to ensure compliance with the ACE+ PDR requirements.

Effective date

The ACE+ PDR requirements announced in this Bulletin were effective for new Loan Product Advisor submissions on or after July 17, 2022, and will remain in place until further notice.

ACE+ PDR eligibility

Loan Product Advisor offer

For a Mortgage to be eligible for the ACE+ PDR option in lieu of an appraisal:

- The Seller must submit the Mortgage to Loan Product Advisor and receive a Risk Class of Accept
- Upon evaluation by Loan Product Advisor, the Last Feedback Certificate must indicate that the Mortgage is eligible for a PDR. (This represents the “ACE+ PDR offer”.)
- The final submission of the Mortgage to Loan Selling Advisor® must indicate representation and warranty relief status is “Y” or “Yes”

If the Mortgage meets the eligibility requirements in this Bulletin, the Seller may accept the ACE+ PDR offer and must deliver the Mortgage with the data delivery instructions identified below.

Eligible Mortgages

The following requirements must be met for Mortgages to be eligible to receive an ACE+ PDR offer:

- The Mortgage must be secured by a 1-unit Primary Residence or second home, including units in a Condominium Project
- The Mortgage must be a “no cash-out” or a cash-out refinance transaction

The Mortgage must meet the maximum LTV/TLTV ratio requirements in the following chart:

| ACE+ PDR eligibility | | |
|-------------------------|----------------------------------|-------------------------|
| Mortgage Purpose | Occupancy Type | Maximum LTV/TLTV ratios |
| “No cash-out” refinance | Primary Residence or second home | 90% |
| Cash-out refinance | Primary Residence | 70% |
| | Second home | 60% |

Ineligible Mortgages

The following Mortgages are not eligible for delivery with an ACE+ PDR:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage
- Mortgages secured by Mortgaged Premises with an estimate of value greater than \$1,000,000



- Texas Equity Section 50(a)(6) Mortgages
- Mortgages secured by Manufactured Homes, Cooperative Share Loans, Investment Properties and 2- to 4-unit properties
- Mortgages secured by Mortgaged Premises that are leasehold estates, including Community Land Trust Mortgages
- **Mortgages secured by Mortgaged Premises subject to resale restrictions, excluding those subject to age-based resale restrictions**
- Construction Conversion and Renovation Mortgages, CHOICERenovation® Mortgages and GreenCHOICE® Mortgages
- **Seller-Owned Modified Mortgages that are Home Possible Mortgages**

In addition, Sellers may not accept the ACE+ PDR offer if any of the following apply:

- The Seller is required by law or regulation to obtain an appraisal
- **The Seller is using rental income from the subject 1-unit Primary Residence ADU for qualification purposes**
- The Mortgage requires an upgrade to an appraisal (e.g., adverse site conditions or external factors, mixed-use, etc.). See ACE+ PDR upgrade requirements identified below.

A Seller that has accepted the ACE+ PDR offer in connection with a Mortgage must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.

Age of the ACE+ PDR offer and maintaining the offer

The ACE+ PDR offer provided through the Feedback Certificate is valid for 120 days. If the offer is more than 120 days old on the Note Date, a resubmission to Loan Product Advisor is required to determine whether the Mortgage remains eligible for ACE+ PDR.

Note: If there are changes to loan data (e.g., address of the property, loan amount, purchase price, estimate of value, loan type, property type, occupancy of the property) in a subsequent submission, Loan Product Advisor may provide a different eligibility determination.

Delivery requirements

For each Mortgage delivered with an ACE+ PDR, the Seller must deliver the following ULDD Data Points:

- *Investor Feature Identifier* (IFI) (Sort ID 368) and enter a valid value of “J44”
- *Property Structure Built Year* (Sort ID 67) and leave blank or enter a valid value of “9999”
- *Property Valuation Method Type* (Sort ID 89) and enter a valid value of “None”
- *Property Valuation Amount* (Sort ID 83) and enter the “Borrower Estimated Value” that was provided in Loan Product Advisor for refinance Mortgages
- *Investor Collateral Program Identifier* (Sort ID 376) and enter a valid value of “Property Inspection Alternative”

ACE+ PDR documentation

For each Mortgage delivered with an ACE+ PDR, the Seller must obtain a PDR that includes all of the data listed in the Freddie Mac PDR data set (Addendum A) and the language included in the PDR Statement of Limiting Condition and Certifications (Addendum B).

The signed PDR must be retained in the Mortgage file.

Age of the PDR

The effective date of the PDR is the date the data was collected, and that date must be no more than 12 months prior to the Note Date of the Mortgage. If the effective date of the PDR is more than 12 months prior to the Note Date of the Mortgage, a new PDR is required.



Qualifications and requirements for the property data collector

The PDR must be completed by a trained property data collector. The property data collector may be a non-appraiser, an appraiser or an appraiser trainee who:

- Performs the on-site data collection
- Is independent and unbiased, and
- Must certify that they have no present or prospective interest or bias with respect to the transaction or the property and no present or prospective personal interest or bias with respect to the participants in the transaction

Property data collectors that are not appraisers must be trained in all aspects of property data collection using the Freddie Mac property data set. The training must include instructor-led or online training and an exam to ensure the proficiency of the property data collector. The property data collector training curriculum must include, but is not limited to, the following topics:

- Measuring the subject property to produce a floor plan, with dimensions and calculations reflecting the gross living area, including interior walls and representation of any functional obsolescence. In addition, the basement must also be measured to produce a floor plan with interior walls and representation of any functional obsolescence, including dimensions and calculations to reflect the basement square footage. The property data collector must be trained in the use of the technology that produces floorplans with measurements, if applicable.
- Collecting a comprehensive set of subject property photographs, as described in more detail in the addenda for the PDR
- Identification of property characteristics represented in the property data set, including but not limited to:
 - Window types (e.g., single-paned, double-paned, etc.)
 - Foundation types (e.g., basement, crawl space, etc.)
 - Heating and cooling types (e.g., forced air, central air conditioning, etc.)
 - Interior and exterior walls (e.g., brick, stucco, drywall, plaster, etc.)
 - Flooring (e.g., wood, tile, etc.)
 - Shower/bath materials (e.g., tile, fiberglass, etc.)
 - Roof description (e.g., composition, slate, aluminum, etc.)
 - Energy efficient improvements (e.g., solar, etc.)
 - Sewer (e.g., septic, public sewer, etc.)
 - Utilities (i.e., public or private)
 - Outbuilding (e.g., barn, shed, etc.)
- Identification of adverse property conditions that require repairs or alterations, or an inspection by a trained professional to determine if repairs are required, and
- Functional and external obsolescence

Seller oversight of the property data collection

The Seller must have oversight of the data collector performing the property data collection. The Seller, or their authorized third party, must have adequate processes and procedures in place to ensure the accuracy and reliability of the PDR. At a minimum, the procedures must:

- Ensure selection of property data collectors who have passed a background check
- Ensure property data collectors receive comprehensive training that demonstrates the ability to provide an accurate and comprehensive PDR
- Include a process to continuously evaluate property data collectors, including monitoring and documenting their performance to identify and remedy any recurring deficiencies



- Include a process for providing continuing education, when applicable (e.g., any significant changes to either the data set or the property data collection process, etc.), and
- Include a process for discontinuing the use of chronically underperforming property data collectors

The Seller must include a targeted review of PDRs as part of their quality control sampling.

Exhibits required for the PDR

The following exhibits are required for a PDR:

- A floor plan with dimensions and calculations reflecting the gross living area of the subject property that includes interior walls and representation of any functional obsolescence
- Photographs of the subject property containing the following:
 - A front view of the subject property
 - A rear view of the subject property
 - A view of the sides of the subject property not wholly visible in the front or rear photographs
 - A street scene (both directions) identifying the location of the subject property and neighboring improvements
 - All interior rooms of the subject property including, but not limited to, foyer, kitchen, living room, bedroom(s), bathroom(s), utility room, laundry room, basement (finished and unfinished areas), attic area accessed via a permanent staircase (finished and unfinished areas), etc.
 - Interior and exterior of any significant (permanently affixed) outbuildings on the subject site, including an accessory dwelling unit (not required for small sheds)
 - Any physical deterioration, improvements, amenities and any observed issues or external influences

PDRs with required repairs and/or inspections

The PDR contains a data set that the Seller must review to determine if the subject property meets Freddie Mac's eligibility requirements. The property data collector must also specify when the subject property has any required "repairs or alterations" or will require an "inspection" by a trained professional when the property data collector cannot make the determination if repairs are needed. Sellers are reminded that when the condition of the subject property meets the definition for condition rating C5 or C6 or the quality of the subject property meets the definition for quality rating Q6, the Mortgage is not eligible for delivery to Freddie Mac unless the deficiencies resulting in a C5, C6 or Q6 rating have been remedied prior to delivery. Freddie Mac describes the definitions for condition and quality of construction in Guide Exhibit 36, *Condition and Quality Ratings and Level of Updating Definitions*.

For PDRs completed with required repairs or alterations, the Seller must obtain a Completion Report, performed by a property data collector, that verifies the repairs or alterations have been completed. The Completion Report must:

- Contain all the data points and certifications in the Completion Report data set (Addendum C) and the Completion Report certifications (Addendum D)
- Include photographs of the completed repairs or alterations
- Be dated before the Settlement Date, and
- Be retained in the Mortgage file

For PDRs completed with an inspection required to identify if repairs are needed, a licensed professional trained in the particular field of concern (e.g., structural engineer, plumber, pest inspector, etc.) must perform the inspection of the property. The inspector must provide either:

- A signed report that includes their license number, when available, stating the repair(s) is not required, or
- A signed report or invoice that includes their licensing number, when available, stating the repair(s) has been completed and the issue corrected

The signed report or invoice must be:



- Dated before the Settlement Date, and
- Retained in the Mortgage file

ACE+ PDR requirements for Mortgages with Settlement Dates more than 120 days after Note Date

For Mortgages with Settlement Dates more than 120 days after the Note Date, Sellers must warrant the value of the subject property on the Settlement Date is not less than the estimated value used when underwriting the Mortgage in Loan Product Advisor.

ACE+ PDR eligibility in Eligible Disaster Areas

For Mortgages secured by properties in Eligible Disaster Areas, Sellers may accept an ACE+ PDR offer if the PDR validates the condition of the subject property, meets our eligibility requirements, and the value and marketability of the Mortgaged Premises has not been adversely impacted. However, if the PDR effective date is prior to the disaster event, the Seller must meet the following requirements:

- If there is property damage, it must not have impacted the safety, soundness, or structural integrity of the Mortgaged Premises. The Seller must ensure all damage is documented and is covered by insurance as required in Guide Chapter 4703, or
- If the Mortgaged Premises has been damaged such that the damage impacts the safety, soundness or structural integrity of the Mortgaged Premises, the Mortgage is not eligible for sale to Freddie Mac until all repairs to the property are documented and completed

ACE+ PDR upgrade requirements

In certain situations, the Seller's review of the PDR may reveal that the subject property is not eligible for the offering or has characteristics or conditions that require the Seller to upgrade to an appraisal (Guide Form 70, *Uniform Residential Appraisal Report*, Form 70H, *Uniform Residential Appraisal Report (Hybrid)* (included with this Bulletin as Addendum E), Form 465, *Individual Condominium Unit Appraisal Report*, or the appropriate appraisal report form as applicable to the property type). These characteristics or conditions include:

- Adverse site conditions or external factors (i.e., extreme slope, erosion, sink hole, wetlands, substantial junk or trash, failing structures, easements, encroachments, environmental conditions or land uses)
- **The building status is "Proposed" (not eligible for upgrade to a hybrid appraisal)**
- 0 bedrooms above grade and/or 0 bathrooms above grade
- A measured gross living area above grade of fewer than 400 square feet
- External obsolescence (i.e., adjoins an industrial site, landfill, airport, power lines, major utility, commercial site, railroad tracks or major highway), or
- Mixed-use (i.e., altered or modified specifically to support or facilitate any non-residential or income producing use)

Upgrade using a hybrid appraisal completed on Form 70H, Uniform Residential Appraisal Report (Hybrid), or Form 465H, Individual Condominium Unit Appraisal Report (Hybrid), as applicable

For single-family homes, in lieu of upgrading to an appraisal on Form 70, Freddie Mac will accept a hybrid appraisal reported on new Form 70H (Addendum E), and for Condominium Units Freddie Mac will accept a hybrid appraisal reported on new Form 465H (Addendum F).

A hybrid appraisal is an appraisal where a trained property data collector will perform an on-site interior and exterior property data collection of the subject property, using the prescribed Freddie Mac dataset, to produce a PDR. The PDR is then provided to an appraiser who uses the data and photographs to complete a hybrid appraisal reported on Form 70H or Form 465H. This option eliminates the need for an additional on-site visit.

When a hybrid appraisal is used as the upgrade, the Form 70H or Form 465H must disclose the identity of the property data collector in the body of the report and the completed PDR must be included as an addendum to the Form 70H or Form 465H. The appraiser conducting the valuation analysis must be permitted to contact the



property data collector to verify any information in the PDR and to adjust that information, as necessary, to complete Form 70H or Form 465H.

The data collection date of the Property Data Report must be on or before the effective date of the hybrid appraisal, and the effective date of the appraisal is the date the appraiser developed the opinion of market value. If the data collection date of the Property Data Report is more than 12 months prior to the effective date of the hybrid appraisal, a new Property Data Report is required.

The photographs of the subject property required for a hybrid appraisal reported on Form 70H or Form 465H must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property
- All bathrooms of the subject property, and
- The main living area of the subject property

The appraisal must include additional photographs, as needed, to show any physical deterioration, improvements, amenities, conditions and external influences that materially impact market value or marketability.

The following requirements apply for comparable sales:

- A clear copy of the photograph of the comparable sale from a multiple listing service (MLS) is acceptable; and
- Notwithstanding Guide Section 5601.3(4), the appraisal analysis may rely on comparable sales that were not personally inspected by the appraiser

The hybrid appraisal must also include the floor plan completed for the PDR and a location map that identifies the location of the subject property and any comparables, including sale, rental and listing comparables as applicable.

The Seller must include a targeted review of appraisal reports completed using the hybrid process as part of their quality control sampling.

Form 70H or Form 465H must be submitted to the Uniform Collateral Data Portal® and receive a “Successful” status prior to the Delivery Date of the Mortgage.

The Seller must deliver the following ULDD Data Points for Mortgages delivered with an appraisal upgrade that is a hybrid appraisal:

- *Investor Feature Identifier* (Sort ID 368) and enter a valid value of “J44”
- ***Property Valuation Form Type* (Sort ID 85) and enter a valid value of “Uniform Residential Appraisal Report” or “Individual Condominium Unit Appraisal Report”**
- *Property Valuation Method Type* (Sort ID 89) and enter a valid value of “Full Appraisal”

ACE+ PDR quality control reviews

The Seller’s quality control program must include a process to perform quality control reviews on a sampling of its Mortgages prior to closing. As part of this process, Sellers must include PDRs in their existing quality control program and as part of the quality control review Sellers must validate that the data submitted to Loan Product Advisor is accurate and that the Mortgage complies with the eligibility requirements set forth in this Bulletin.



Addenda

As noted above, the following addenda related to ACE+ PDR requirements are included with this Bulletin:

- Addendum A – PDR Data Set
- Addendum B – PDR Modified Certification and Assumptions and Limiting Conditions
- Addendum C – Completion Report Data Set
- Addendum D – Completion Report Certifications
- Addendum E – Form 70H, *Uniform Residential Appraisal Report (Hybrid)*
- **Addendum F – Form 465H, *Individual Condominium Unit Appraisal Report (Hybrid)***

ADDITIONAL RESOURCES

We encourage Sellers to visit [Freddie Mac Learning](#) for available training and resources and review our [FAQs](#). In addition, the following resources are available on the Freddie Mac Single-Family website:

- [ACE+ PDR Data Set](#) (spreadsheet version of Addendum A)
- [ACE+ PDR Sample](#)
- [Completion Report Data Set](#) (spreadsheet version of Addendum C)
- [Completion Report Sample](#)

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,

Kevin Kauffman
Vice President, Single-Family Client Engagement