



# Regulatory Alert for Financial Services

Regulatory Insights

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## Credit and Appraisals: FHFA Changes

**KPMG Insight.** The FHFA announcements to credit, pricing, and public appraisal data mark profound steps in an effort to increase transparency as well as lending access. These changes will require not only GSE but industry-wide system and process changes. Financial service providers should work to quickly assess potential impacts, analyze newly available appraisal data, and determine near- and longer-term decision points and implementation needs, including in such areas as credit decisioning, pricing, investor requirements, and fair lending/Community Reinvestment Act impacts.

The Federal Housing Finance Agency (FHFA) announced several policy actions intended to enhance affordability and transparency in the housing market, including:

1. The validation and approval of both the FICO 10T and VantageScore 4.0 credit score models for use by Fannie Mae and Freddie Mac (the Enterprises).
2. Publication of its Uniform Appraisal Dataset (UAD) Aggregate Statistics Data File and accompanying UAD Aggregate Statistics Dashboards on the FHFA website.
3. Targeted changes to the Enterprises' guarantee fee pricing as part of its ongoing review of their pricing frameworks.

These actions are outlined below.

### 1. Credit Score Models

The [validation and approval](#) of FICO 10T and VantageScore 4.0 is the first step in what is expected to be a multiyear effort that, once finalized, will require mortgage lenders to deliver both FICO 10T and VantageScore 4.0 credit scores with each loan sold to the Enterprises, replacing the "Classic FICO" credit score. The use of these models is intended to capture payment histories for borrowers, such as rent, utilities, and telecom payments.

FHFA also announced that the Enterprises will work toward changing the requirement that mortgage lenders provide credit reports from all three nationwide consumer reporting agencies

and will instead require them to provide credit reports from two of those three nationwide consumer reporting agencies.

Both FHFA and the Enterprises intend to conduct outreach and work with stakeholders to ensure a smooth transition to the newer credit score models and credit reporting requirements.

### 2. New Uniform Appraisal Dataset

The [UAD Aggregate Statistics Data File](#) and [Dashboards](#) give stakeholders and the public the first-ever access to a broad set of data points and trends found in the Enterprises' aggregated and anonymized appraisal reports. The appraisal statistics may be grouped by neighborhood characteristics and geographic levels (down to the census tract level), and are intended to enable the public to:

- Monitor industry trends.
- Compare appraisal gaps in minority neighborhoods across states and metropolitan areas.
- Evaluate national, state, regional, and local trends in appraised values.
- Gain a better understanding for how appraised values differ among neighborhoods and housing features.

The dataset used 47.3 million UAD appraisal records on single-family properties collected from 2013 through Q2 2022 to create UAD aggregate statistics; data was anonymized. Each UAD appraisal record includes information reported by



appraisers on the Uniform Residential Appraisal Report (URAR), or Fannie Mae Form 1004 and Freddie Mac Form 70.

### 3. Changes to Enterprise Pricing Framework

The [changes](#) to the Enterprises' guarantee fee pricing build upon [previous upfront fee increases](#) for second home loans and high balance loans and are meant to "support core mission borrowers while fostering capital accumulation, achieving commercially viable returns, and ensuring a level playing field for all sellers." The changes include:

- Removing upfront fees for:
  - First-time homebuyers at or below 100 percent of area median income (AMI) in most of the United States and below 120 percent of AMI in high-cost areas.
  - HomeReady and Home Possible loans (the Enterprises' affordable mortgage products).
  - HFA Advantage and HFA Preferred loans (through state housing finance agencies (HFAs)).

- Single-family loans supporting the Duty to Serve program.
- Implementing upfront fees for:
  - Cash-out refinance loans (effective February 1, 2023).

FHFA will work with the Enterprises to announce an implementation date for the fee reductions to go into effect as soon as possible.

**Please refer to:**

- [Speech \(FHFA Director Thompson\): Prepared Remarks at the 2022 Mortgage Bankers Association Annual Convention](#)

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