



The 2024 Federal AVM Ruling

What Does it Mean and CoreLogic's Obligations Under the Rules



On July 17, 2024, Six federal regulatory agencies (the Consumer Financial Protection Bureau, Federal Deposit Insurance Corp., Federal Housing Finance Agency, Federal Reserve Board, National Credit Union Administration, and the Office of the Comptroller of the Currency) issued a final rule, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, designed to help ensure the credibility and integrity of models used in valuations for certain mortgages secured by a consumer's principal dwelling.

In particular, the rule will implement quality control standards for AVMs used by mortgage originators and secondary market issuers in valuing those homes. The final rule is substantially like the proposal issued in June 2023, according to the agencies.

CoreLogic® will continue to maintain policies, practices, procedures to ensure quality standards compliant with this ruling.

Mortgage originators and secondary market issuers that engage in credit decisions or covered securitization determinations themselves, or through or in cooperation with a third-party or affiliate, must adopt and maintain policies, practices, procedures and control systems to ensure that automated valuation models (AVMs) used in these transactions adhere to quality control standards designed to:

- a) Ensure a high level of confidence in the estimates produced.
- b) Protect against the manipulation of data.
- c) Seek to avoid conflicts of interest.
- d) Require random sample testing and reviews.
- e) Comply with applicable nondiscrimination laws.

CoreLogic utilizes the following policies, practices, procedures, and control systems help our clients meet these objectives:

a) Ensure a high level of confidence in the estimates produced.

Accurate and reliable valuations are crucial for our clients' successful risk management and regulatory compliance burden. To that end, CoreLogic performs robust testing and maintains ongoing monitoring of its AVM products. Our testing is designed to keep the AVM "blind" to any actual sales activity on the subject property. As new property sale transactions are received by CoreLogic, they are measured against the AVM estimates in a manner that keeps the AVM blind to these purchase price benchmarks. This unique approach gives us an unparalleled view of the characteristics of each marketplace and allows us to constantly calibrate our AVMs based on near real-time market value.

b) Protect against the manipulation of data.

Our extensive property data and advanced technology (including artificial intelligence and machine learning) are meticulously curated and monitored with rigorous internal oversight, complemented by external oversight to ensure our clients are able to effectively manage their compliance risks.



c) Seek to avoid conflicts of interests.

Our model is calculated mathematically and not subject to end-user input to avoid conflicts of interest.

d) Require random sample testing and reviews.

We assist our clients with testing as follows:

- Clients can submit their own files for review and testing.
- We participate in independent 3rd party testers that clients can engage for services.
- We provide clients with our internal blind testing results on a quarterly basis.

e) Comply with applicable non-discriminatory laws.

We utilize a sophisticated internal Model Governance review process and engage external fair lending counsel to review our models to ensure there are no prohibited bias input variables that are utilized by our models - including but not limited to: race, color, religion, national origin or citizenship status, sex or gender identity/ expression, marital or familiar status, age, income, credit or public assistance, handicap or disability or mental capabilities, pregnancy, genetic information, military or veteran status.

About CoreLogic

CoreLogic is a leading provider of property insights and innovative solutions, working to transform the property industry by putting people first. Using its network, scale, connectivity and technology, CoreLogic delivers faster, smarter, more human-centered experiences, that build better relationships, strengthen businesses, and ultimately create a more resilient society. For more information, please visit www.corelogic.com.

40 Pacifica, Ste. 900
Irvine, CA 92618

For more information, please call 866.774.3282.

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