

Table of Contents

Table of Contents.....	1
Appraiser Independence.....	2
Policies Applicable to All Company Operating Areas	2
Appraiser Selection and Approval.....	3
Appraiser Approval Process	3
Approved Appraiser Vendor List	5
Pre-Qualification and Property Valuation.....	6
Valuation and Pre-Qualification	6
Prohibited Practices for Production Staff	7
Appraisal Copy to Borrower Certification	8
Borrower Appraisal Copy Notice Form	9
Basic Underwriting Submission Process.....	10
Appraisal Ordering – Random Appraiser Selection.....	11
Appraisal Checklist.....	11
Approved Appraiser Vendor List	12
Random Appraisal Order Process	13
Appraisal Audit Function	14
Desk Review of Appraisal	15

Appraiser Independence Policy Forms

Appraisal Copy Notice
Approved Appraiser Application
Appraisal Review Form
Random Appraisal Assignment Roster
Pre-Underwriting Checklist

Appraiser Independence

In 2009 FNMA began requiring the appraisal process adhere to what was known as the Home Valuation Code of Conduct. (HVCC) This was an industry rule, not a law. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) codified the HVCC into law and named it “Appraiser Independence Rules” (AIR) as part of Federal Reserve Truth-in-Lending Regulation Z. Appraisal conduct is regulated by this rule.

We have suggested a policy that allows company name to maintain control of an independent appraisal ordering process, but provides the disconnection of all production personnel from substantive interaction with valuation service providers.

In addition the policy we recommend doesn’t leave the originator or sales person without any process by which he or she can obtain any confirmation of a value estimate for the purposes of structuring a new transaction.

Policies Applicable to All Company Operating Areas

The sections included in this policy and procedure relate to individual operating modules applicable to functional area listed.

Origination Process – Estimating value without appraisers, Pre-Qualification without Value Acknowledgement Form, Originator Acknowledgement.

Processing – Random Selection, No Communication of Value on Request Form, Checking Approved Appraiser for Outside investor, Appraisal Copy Delivery Process

Underwriting – Appraiser Approval Process, Random Appraiser Selection Process, Appraiser Denial Process, Appraisal Review Process

Closing – Appraisal Copy Process

Admin-Operations – Appraiser/Vendor Approval Process, Random Appraiser Selection Process, Appraisal Payment Process, Identity of Interest verification

Quality Control – Appraisal Review Process, 10% Random Selection, Appraiser Approval, Random Appraiser Assignment

Appraiser Selection and Approval

Appraisers are one of the most crucial components of the mortgage process. Their research and reports are often as painstaking as those we endeavor to conduct. As a result there are often severe time constraints placed upon appraisers during periods of high volume. It is important to insure that we select appraisers who will place our work as a priority for speed and accuracy.

Because of the Appraiser Independence Rules, Appraiser Nominations must be done independently from any branch production or origination staff. Only Underwriting and Audit personnel can seek out reputable appraisers for inclusion on our Roster of Approved Appraisers.

In cases where we cannot locate a qualified appraiser from our roster, we will utilize a third party appraisal management firm.

Appraiser Approval Process

When it is necessary to select an appraisal service for a given geographic region, schedule an interview with two or more of the well-known services in that area. Request:

- Resumes
- State Licenses
- 3 samples of each type of appraisal - provided by each signing appraiser
- Approved Appraiser Application

Some items to consider when making the recommendation are:

- What is the optimum turnaround time for receipt of appraisals once ordered?
- Does the service have a fax machine for use in ordering appraisals, etc.?
- Can or will the service use the addendum listing items that are in some way different from typical guidelines but do not constitute significant discrepancies.
- What are the fees for typical property types and for unusual or high value properties?
- What are the fees for final inspections and re-certifications?
- Under what circumstances would the service be available for appraisals outside normal jurisdiction?
- Will members of the appraisal service be able to work with our underwriting or quality control staff members without undue difficulties should questions regarding one or more items on the appraisal arise?
- Will the appraisers be available for questions outside the office?

Underwriting/Quality Control approves appraisers. Once an appraisal service has been approved for use by the branch, incorporate their specific appraisal order or utilize the order form provided in the processing module that is integrated with the software.

Send a memorandum to the staff regarding the use of the service and review during the next staff meeting. Add the appraiser to the approved appraiser list.

IT IS IMPORTANT TO NOTE THAT NOT ALL APPRAISERS WILL BE APPROVED WITH OUTSIDE INVESTORS. ON THE APPRAISER LIST, INDICATE WHICH OUTSIDE INVESTOR(S) EACH IS APPROVED WITH.

APPRAISER APPROVAL APPLICATION
 For use with HVCC policy

Applicant's Name: _____
 Company Name: _____

CONTACT INFORMATION
 Address: _____
 Phone #: _____ Fax #: _____

QUESTIONNAIRE

Yes No Have you ever been removed from a lender's approved list?
 Explanation: _____

Yes No Have you been subject to Disciplinary Actions
 Explanation: _____

Yes No Have you ever been the subject of a lawsuit initiated by a lender or investor?
 Explanation: _____

Yes No Have you ever been disciplined by a state licensing agency or professional appraisal organization?
 Explanation: _____

LICENSING INFORMATION (attach list if necessary)

State	License Number	Expiration

MEMBERSHIPS AND DESIGNATIONS

Group Name	Date	Type

EDUCATION

Degree	College/University	From	To

APPRAISER APPROVAL APPLICATION
 For use with HVCC policy

Additional Classes/Courses/Training

Course Title	Sponsoring Organization	Date Completed

Experience Summary
 Please note the number of assignments completed in the last 5 Years

SFD	Condo	PUD	2-4

Data Sources

Market Data, Cost Estimates, Flood, Other

I certify that all of the information contained in this application and the supporting documents is true, correct, and complete.

Signature _____
 Date _____

Please return this application along with:

- A complete current resume
- A list of current lender references
- A copy of your current Errors & Omissions policy
- A copy of your license(s) or certifications
- Copies of 3 sample appraisal reports (1 SFR, 1 Condo, 1 2-4 unit)

Approved Appraiser Vendor List

Approved Appraiser Roster

Appraisal Firm	Approved Signer	Address	City, State, Zip	Phone	Fax	E-Mail	Date Approved	License Expires	License States	Counties/MSAs

Only Underwriting and Quality Control staff may nominate appraisers for inclusion on the approved Appraiser Vendor List. The Approved Appraiser Vendor List is used in conjunction with the Appraisal Order Random Rotation List to randomly select the appraiser. This list is maintained by underwriting who assigns a chronological appraisal order number. The list is distributed to processing only for contact information purposes.

Pre-Qualification and Property Valuation

The changes in state and Federal predatory lending laws, and the implementation of the Appraiser Independence Rule (AIR), require that no loan production personnel are involved in the ordering or review of property valuations (appraisals).

Policy

No originator, manager, processor, or other production related personnel may contact any appraisers directly. Appraisal ordering is conducted only through the random appraiser selection process from our previously established list of approved appraisers. Only credit review (underwriting) and quality control staff may nominate or approve appraisers for inclusion on our roster of appraisers. Only credit review and quality control staff may contact appraisers to discuss a specific appraisal report.

Valuation and Pre-Qualification

There are instances when loan originators must make a reasonable assessment of property value when working with a prospective applicant. This is not necessary on purchase money transactions, because equally motivated buyers and sellers tend to arrive at a market price independently. In refinance transactions, without sellers and buyers involved, the property value can not be determined until after the appraisal is completed. In order to facilitate applications, proper disclosure of closing costs and loan terms, originators may utilize the following sources of valuation estimates in contemplating estimated property value.

Source	Description and Procedure
Property Tax Assessment	Real Property Tax assessments provide a conservative indication of a property's value because you have divergent interests establishing a value. Homeowners want the valuation as low as possible, to pay the lowest rate. Assessors want the value as high as possible to gain the greatest revenue. Obtain the property identification from the homeowner Check to see that the property assessed value is not subject to phase ins or exemptions Check to insure that the square footage and above grade room count is accurate.
Cyberhomes.com	Utilizing Cyberhomes or other non-AVM (database driven) valuation estimates can yield information on a property's values. Unlike Tax Assessments Cyberhomes utilizes recent neighborhood sales to adjust valuation. Do not make adjustments to the initial property value for improvements and renovations – these tend to inflate the real property value Do check the room and bathroom count – do not add ½ baths as full baths
Real Estate Agent Opinion	For Loan Originators who work in a particular market a good source of informal property valuation estimates are real estate agents active in the marketplace. No formal written report can be obtained. This is not intended to authorize a broker's price opinion (BPO) valuation.

Once the originator has obtained a property value estimate, he or she can proceed to consider whether the transaction is feasible. Originators can not guarantee a property value, and the originator must disclose that all property valuations are estimates and non-binding until the underwriter issued appraisal is available.

Use common sense. It is not in the originator's interest to process a refinance loan application that will ultimately not lead to consummation. The originator cannot discourage an applicant and the borrower must be allowed to proceed if he or she is confident in the property's value.

Prohibited Practices for Production Staff

- Contacting appraisers on any basis, but particularly to influence the valuation conclusion
- Providing Replacement Appraisals
- Suggesting specific appraisers be added or deleted from the approved roster
- Having a financial interest in an appraisal firm

Appraisal Copy to Borrower Certification

In compliance with the Appraiser Independence Rule (AIR) and the Dodd Frank Amendments to Federal Reserve Regulation Z (Truth-in-Lending), and various state anti-predatory lending laws, we are required to deliver a copy of the appraisal to the borrower at least 3 days prior to closing. Since the file is normally complete and just waiting for the appraisal to submit to underwriting, this is the optimal time to deliver this document.

- Copy the Appraisal in its entirety
- Print two copies of the Appraisal Copy Acknowledgement
- Sign one copy and place it in the loan file on top of the original appraisal
- Mail one copy of the Appraisal Copy Acknowledgement and the Appraisal to the borrower.

Borrower Appraisal Copy Notice Form

Borrower Appraisal Notice

In 2009 FNMA began requiring the appraisal process adhere to what was known as the Home Valuation Code of Conduct. (HVCC) This was an industry rule, not a law. The Dodd-Frank Wall Street Reform Act (Dodd-Frank) codified the HVCC into law and named it "Appraiser Independence Rules" as part of Federal Reserve Regulation Z. Appraisal conduct is regulated by this rule.

This code requires that production staff may NOT participate or communicate with real property valuation personnel.

We cannot estimate a property's value with any certainty until a qualified appraiser selected at random from our approved list complete the Final Appraisal Report and provides our underwriter with a written estimate of value. Upon underwriter review, we will notify you of the property value. Until that time, all financial calculations based on the property's values must be considered ESTIMATES.

You, as borrower(s), acknowledge that there is no initial determination of value and that the application is made with knowledge and understanding that the appraisal's value conclusion may make the transaction, as originally structured, no longer eligible.

Borrower Appraisal Copy

You will receive a copy of the written appraisal no later than 3 days prior to closing. You are entitled to a copy of the appraisal at any time.

Borrower Date

Borrower Date

Lender/Broker Appraisal Delivery Certification

I certify that I personally delivered the appraisal copy on the referenced transaction to the referenced borrower on _____ (Date).

BY: _____
Lender Representative

Basic Underwriting Submission Process

Company Name utilizes a Quality Control Checklist process to assure all required steps are taken and required documentation is provided.

Basic Loan Submission Checklist and Process

<input type="checkbox"/>	Assemble File In Stack Order (see File Stack Order Form)
<input type="checkbox"/>	Send copy of Appraisal to borrower - sign Appraisal Delivery Certification and place in file
<input type="checkbox"/>	Stamp Documents "Certified True"
<input type="checkbox"/>	Data Correct - At each set of Documents, the processor should verify the information that is entered in the loan file against the information entered into the loan processing system. The Documents should not be stamped until the information in the system is confirmed to be correct
<input type="checkbox"/>	Note missing documentation <ul style="list-style-type: none">• If missing documentation is not substantive, insert memo to file regarding each item
<input type="checkbox"/>	Verbal Verifications of Employment
<input type="checkbox"/>	Print 1003/1008
	Quick Check
<input type="checkbox"/>	• Ratios in Line?
<input type="checkbox"/>	• LTV O.K.?
<input type="checkbox"/>	• Cash to Close O.K.?
<input type="checkbox"/>	Copy File
<input type="checkbox"/>	• Place one copy in Origination File
<input type="checkbox"/>	• Original on Right Side of Submission File
<input type="checkbox"/>	• Copy on Left Side of Submission File
<input type="checkbox"/>	If 2 nd Copy package is required, it should be paper fastened together and included with file
<input type="checkbox"/>	PMI Submission form
<input type="checkbox"/>	Register Loan
<input type="checkbox"/>	Print Assignment Letter
<input type="checkbox"/>	Prepare Fee Sheet
<input type="checkbox"/>	Package in Local/Overnight Delivery for Submission or upload to DU/LP and submit file to document review

Appraisal Ordering – Random Appraiser Selection

To avoid conflict of interest in the appraisal ordering process, Company Name no employs one the following procedures for ordering appraisals:

- Ordering through Appraisal Management Service
- Ordering through Random Appraiser Selection Process

In either event the processor is responsible for assembling the exhibits and forms required to implement the appraisal order.

In the event that our software vendors have not corrected appraisal request forms by the time the implementation is required, you may utilize the appraisal request form provided here. The Appraisal Request document is generated by the Data Export/Mail Merge. This procedure is for conventional loans only. See “Processing FHA/VA Loans” for FHA and VA loans - there are separate appraiser assignment and request procedures.

Appraisal Checklist

	Choose Approved Vendor – Ensure on Investor’s Approved List – If no vendor available, select Appraisal Management Service
	Copy of Vital Portions of Sales Contract if Purchase
	Copy of Survey if Refinance
	If Property Value is over \$650,000 require 5 Comparables and Interior Photos
	If Rental/Investment Property include lease Require: Operating Income Statement Rental Comparable Schedule
	If 1 st & 2 nd Mortgage Combination – request 3 copies of appraisal
	Condominiums – Include Condo Questionnaire

Approved Appraiser Vendor List

Approved Appraiser Roster

Appraisal Firm	Approved Signer	Address	City, State, Zip	Phone	Fax	E-Mail	Date Approved	License Expires	License States	Counties/MSAs

Only Underwriting and Quality Control staff may nominate appraisers for inclusion on the approved Appraiser Vendor List. The Approved Appraiser Vendor List is used in conjunction with the Appraisal Order Random Rotation List to randomly select the appraiser. This list is maintained by underwriting who assigns a chronological appraisal order number. The list is distributed to processing only for contact information purposes.

Random Appraisal Order Process

Responsible Party	Step	Detailed Description
Originator	Takes application, collects fee	The originator meets with the customer collects the appropriate application fee
Processor	Assembles exhibits from Appraisal Checklist	All of the forms needed are copied or scanned in order to use them in support of the appraisal order
Processor	Requests Appraiser Assignment	Processor notifies underwriter of request by sending by sending appraisal request form to underwriter
Underwriter or Quality Control	Selects appraiser from Roster	<ul style="list-style-type: none">- Review appraisal request for loan program* Verify that appraiser is eligible for program or investor- Review appraisal request for property address* Verifies appraiser is available in geographic territory- Assigns order number to appraiser on list based on rotation. If appraiser is not qualified, rotation is skipped.- Provides processor with appraiser's request with appraiser selecting
Processor	Delivers Appraisal Request to Appraiser	Complete Appraisal Request Form Assemble exhibits and fax, e-mail or mail request

Appraisal Audit Function

In compliance with the AIR, 10% of all appraisals are randomly selected for review. If we utilize an Appraisal Management Service (AMS), the AMS is responsible for providing third party review. If we do not utilize an AMS the selection process will be conducted as part of our independent audit process.

Desk Review of Appraisal

The desk review of the appraisal is a substantive review of the quality of the appraisal, the data, comparables, value conclusion and any changes made by the appraiser.

Appraisal Review		
Loan Number :	_____	Doc Type: _____
Reviewer :	_____	Investor: _____
Borrower Last Name:	_____	
Loan Amount : \$	_____	
LTV/CLTV: %	_____	
Appraised Value: \$	_____	
AVM (A) or Field Review (FR) Value if applicable: \$	_____	
Enhanced Desk Review Finding, if applicable:	_____	
Date of Appraisal:	_____	
Estimated Date of Closing:	_____	
Purchase (P), Refinance (R) or Cash Out Refinance (CO)	_____	
	Yes	No
Level 3 Issues		
Will the appraisal valuation date be less than 60 days old at time of closing		
Does the Appraisal Request indicate a value (HVCC)		
Is there a copy of the Appraisal Copy delivery to Borrower in File		
Does the address on the appraisal match the 1003 and the contract (if any)		
Does the value of the property fall within the predominant value range of the neighborhood		
Does the current owner on the appraisal match the contract and/or title work		
Is our name the named party for whom the appraisal is prepared		
Does the borrower on the appraisal match the 1003		
Is marketing time over 6 months		
Does demand/supply show to be in balance		
Are there any negative comments about the neighborhood		
Are the streets publicly maintained		
If the road is not publicly maintained or not paved, is the property classified as rural		
If major utilities are not public, is the property classified as rural		
If property is PUD or Condo, is PUD/Condo addendum attached		
If condo, has pre-sale requirement been met and is Condo addendum attached		
Do sales concessions of the subject match the contract, and do the comps address sales concessions		
Did you carefully read the appraiser comments and address any negative or conflicting information in those comments		
Does appraisal request specify a value, estimated value or loan amount (HVCC)		
Is the appraisal copy to borrower acknowledgement in file (HVCC)		
Is the appraisal subject to any repairs		
Is the appraisal signed and is a copy of that signer's license attached		
Level 2 Issues		
Does the property have adequate HVAC for the local market		
Does site value in the cost section exceed 35% of total value		
Is the replacement cost between \$ 60 for tract construction and \$ 120 for luxurious construction		
Is the price/gross living area of the subject similar to that of all comps - within 5%		
Is the source of the comps independent of the transaction		
Are the age of the comps within 6 months		
Are any date of sale adjustments supported by data or comments related to the immediate market		
Are the comps close to the subject or, if not, is the reason well documented by the appraiser		
Are any subjective adjustments such as view, site, design and appeal, quality of construction and age		
Are the comps of similar construction type as the subject		
Do the pictures of the comps compare with the quality and design appeal of the subject		
Do the comps bracket size and value of the subject		
Are there any blanket adjustments to the comps		
Are the per square foot size adjustments within the range of 40% to 60% of the replacement cost from the cost section of the appraisal (\$ 25 per square foot is a good average in most markets)		
Does the previous sale information match the title work		
On the location map, are there any obvious separating boundaries between the subject and the comps		
Level 1 Order Enhanced Desk Review or Field Review if more than 2 are non-conforming		
Do the gross comp adjustments exceed 25% of value		
Do the net comp adjustments exceed 15% of value		
Do the adjusted values of the comps support the final value determination		
Does the value exceed the tax assessed value by more than 10%		
Does the value exceed the AVM by more than 10%		
If there is an AVM, are there better comps than those used by the appraiser (closer in proximity, value		

