



Policy Effective: October 15, 2010
Last Updated: December 5, 2012

Impacted Channels:

Retail
Wholesale

Impacted Roles:

All

Appraiser Independence Requirements (AIR) Policy

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PURPOSE

Under Dodd-Frank Act, Subtitle F, Appraisal Activities, Section 1471 - **Property Appraisal Requirements**, Fannie Mae and Freddie Mac announced October 15, 2010 new appraiser independence requirements which **replaced** the Home Valuation Code of Conduct (HVCC).

The requirements maintain the spirit and intent of the HVCC and were effective with the date of the announcement October 15, 2010.

These requirements:

- Protect the independence of appraisers and the integrity of their appraisals.
- Extend these important protections for home buyers, mortgage investors, and the housing market.
- Reinforce Fannie Mae's commitment to responsible lending and mortgage quality standards.

The purpose of this policy is to describe the Appraiser Independence Requirements (AIR) as it relates to all channels of origination at E Mortgage Management LLC (EMM). It is intended to ensure that EMM employees consistently apply practices in accordance with this policy and supporting guidelines, procedures, and regulations.

POLICY STATEMENT

It is the policy of EMM to comply with all Appraiser Independence Requirements (AIR) adopted by Fannie Mae and Freddie Mac. To that end, EMM has adopted written policies and procedures implementing AIR, including, adequate training and disciplinary rules on appraiser independence. Additionally, EMM policy ensures that any third parties, such as appraisal management companies or mortgage broker clients, used in conjunction with the funding and sale of any mortgage loan are also in compliance with these AIR requirements.

APPRAISER INDEPENDENCE SAFEGUARDS

EMM will requires appraisers to be certified in the state in which the property to be appraised is located.

No employee, director, officer, or agent of EMM or any other third party authorized by EMM to order appraisals will influence or attempt to influence the development, reporting result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner including but not limited to:

1. Withholding or threatening to withhold timely payment or partial payment for an appraisal report;
2. Withholding or threatening to withhold future business for an appraiser, or demoting or terminating or threatening to demote or terminate an appraiser;
3. Expressly or impliedly promising future business, promotions, or increased compensation for an appraiser;
4. Conditioning the ordering of an appraisal report or the payment of an appraisal fee or salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary value estimate requested from an appraiser;
5. Requesting that an appraiser provide an estimated, predetermined, or desired valuation in an appraisal report prior to the completion of the appraisal report, or requesting that an

- appraiser provide estimated values or comparable sales at any time prior to the appraiser's completion of an appraisal report;
6. Providing to an appraiser an anticipated, estimated, encouraged, or desired value for a subject property or a proposed or target amount to be loaned to the borrower, except that a copy of the sales contract for purchase transactions may be provided;
 7. Providing to an appraiser, appraisal company, appraisal management companies, or any entity or person related to the appraiser, appraisal company, or appraisal management companies, stock or other financial or non-financial benefits;
 8. Allowing the removal of an appraiser from a list of qualified appraisers, or the addition of an appraiser to an exclusionary list of disapproved appraisers, used by any entity. EMM has not established its own Exclusionary List of appraisers and other service providers. All investor exclusionary lists must be adhered to. The investors' practice is to add any appraiser or other service provider who renders substandard performance to their Exclusionary List.
 9. Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, or impartiality or violates law or regulation, including, but not limited to, the Truth in Lending Act (TILA) and Regulation Z, or the USPAP.

Nothing in this section should be construed as prohibiting EMM (or any third party acting on behalf of EMM) from requesting that an appraiser

- Provide additional information or explanation about the basis for a valuation, or
- Correct objective factual errors in an appraisal report.

ACCEPTABILITY OF SUBSEQUENT APPRAISALS

Ordering, obtaining, using, or paying for a second or subsequent appraisal in connection with a mortgage financing transaction is unacceptable unless:

- There is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately noted in the loan file, or
- Unless such appraisal or automated valuation model is done pursuant to written, pre-established bona fide pre- or post-funding appraisal review or quality control process or underwriting guidelines, and so long as the EMM adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value; or

BORROWER RECEIPT OF APPRAISAL

EMM ensures that a copy of the appraisal is provided to the borrower as required by AIR. The copy must be provided promptly, upon completion of the appraisal, and at least three business days prior to closing.

AIR includes a provision for a waiver of the three day waiting period at the request of the borrower. This will only be considered on an exception basis with the approval of EMM corporate senior management. If approved, the borrower may waive receipt of the appraisal prior to closing by signing the AIR Appraisal Report Delivery Waiver form and providing the signed form to EMM.

APPRAISER ENGAGEMENT

EMM has partnered with Appraisal Management Companies (AMC) to provide the appraiser assignment for all loans. The AMC is responsible for selecting, retaining, and providing payment of all compensation to the appraiser.

EMM orders all appraisals through an AMC, which may provide other services as long as the AMC complies with the following:

- Has adopted written policies and procedures implementing the AIR, including, but not limited to, adequate training and disciplinary rules on appraiser independence (including the principles detailed in the AIR) and has mechanisms in place to report and discipline anyone who violates these policies and procedures;

All approved broker and/or correspondent lenders are required to have an acceptable AIR policy which must be reviewed and accepted by EMM and all loans must be delivered to EMM in compliance with that policy. EMM does not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by any other third party (including mortgage brokers and real estate agents).

All members of EMM's loan production staff, as well as any person (i) who is compensated on a commission basis upon the successful completion of a loan or (ii) who reports, ultimately, to any officer of EMM not independent of the loan production staff and process, are forbidden from

- Electing, retaining, recommending, or influencing the selection of any appraiser for a particular appraisal assignment or for inclusion on a list or panel of appraisers approved to perform appraisals for EMM or forbidden from performing such work; and
- Having any substantive communications with an appraiser or appraisal management company relating to or having an impact on valuation, including ordering or managing an appraisal assignment. **All communication with the appraiser must be facilitated through the appraisal management company.**

Any employee of EMM or its designated Appraisal Management Companies who is tasked with selecting appraisers for an approved panel or substantive appraisal review must be appropriately trained and qualified in the area of real estate appraisals.

PREVENTION OF IMPROPER INFLUENCES ON APPRAISERS

In underwriting a loan, EMM will not utilize any appraisal report:

- prepared by an appraiser employed by:
 - EMM;
 - an affiliate of EMM;
 - an entity that is owned, in whole or in part, by EMM; or
 - an entity that owns, in whole or in part, EMM.
- prepared by an appraiser
 - employed,
 - engaged as an independent contractor, or
 - otherwise retained by any Appraisal Company or any Appraisal Management Company affiliated with, or that owns or is owned, in whole or in part by, EMM or an affiliate of EMM.

APPRAISAL QUALITY CONTROL TESTING

EMM quality control tests, by use of retroactive or additional appraisal reports or other appropriate methods, a randomly selected 10 percent (or other bona fide statistically significant percentage) of the appraisals or valuations that are used by EMM, including the results of automated valuation models, broker's price opinions, or "desktop" evaluations.

REPORTING

EMM will provide to Fannie Mae or Freddie Mac a report of any adverse, negative, or irregular findings of such quality control testing, and any findings indicating noncompliance with any provision of this Code of Conduct, with respect to loans sold to Fannie Mae and Freddie Mac respectively.

REFERRALS OF APPRAISAL MISCONDUCT REPORTS

If EMM has a reasonable basis to believe an appraiser or Appraisal Management Company is violating applicable laws, or is otherwise engaging in unethical conduct, it shall promptly refer the matter to the applicable State appraiser certifying and licensing agency or other relevant regulatory bodies.

CONTROLS

Every appraisal ordered through an AMC is prepared in accordance with AIR; if an appraisal is completed without certification of this regulation, that report cannot be used until the proper due diligence has been performed.

Related Policies	Link
Appraisal Policy and Procedure	
Related Desk Procedures	
Other Related Documents	
Eligible Appraisal Vendor Guide	

Revision History

Last Revised	Author	Change Summary
December 5, 2012	L Crichton	Annual Policy Review