



APPRAISER INDEPENDENCE REQUIREMENTS (AIR) POLICY

1. PURPOSE

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

2. POLICY STATEMENT

It is the policy of EMM Brokers to comply with all Appraiser Independence Requirements ("AIR" adopted by Fannie Mae and Freddie Mac.

3. APPRAISER INDEPENDENCE SAFEGUARDS

- A. EMM will require all appraisers to be licensed or certified in the state which the property to be appraised is located.
- B. No employee, director, officer, or agent of EMM or any other third party authorized by EMM to order appraisals shall 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. Ordering, obtaining, using, or paying for a second or subsequent appraisal or automated valuation model (AVM) in connection with a mortgage financing transaction unless:
 - i 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



- ii 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
- 10. 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.
- C. Nothing in this section shall be construed as prohibiting EMM (or any third party acting on behalf of EMM) from requesting that an appraiser
 - 1. Provide additional information or explanation about the basis for a valuation, or
 - 2. Correct objective factual errors in an appraisal report.
- D. EMM will ensure 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.

4. APPRAISER ENGAGEMENT

- 1. EMM has contracted with appraisal management companies to provide the appraiser assignment for all loans in our EMM Banked loans. Any appraisal management company shall be responsible for selecting, retaining, and providing payment of all compensation to the appraiser. All approved 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 will 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).
- A. 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, shall be forbidden from
 - 1. Selecting, 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
 - 2. 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.**
- B. Any employee of EMM or its designated 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.



5. PREVENTION OF IMPROPER INFLUENCES ON APPRAISERS

- A. In underwriting a loan, EMM shall not utilize any appraisal report:
1. Prepared by an appraiser employed by:
 - i EMM;
 - ii an affiliate of EMM;
 - iii an entity that is owned, in whole or in part, by EMM;
 - or iv an entity that owns, in whole or in part, EMM.
 2. Prepared by an appraiser
 - i employed,
 - ii engaged as an independent contractor, or
 - iii 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.
- B. Section 5.A. shall apply *unless*:
1. The appraiser or, if an affiliate, the company for which the appraiser works, reports to a function of EMM independent of sales or loan production;
 2. Employees in the sales or loan production functions of EMM have no involvement in the operations of the appraisal functions and play no role in selecting, retaining, recommending, or influencing the selection of any appraiser for any 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;
 3. Employees in the sales or loan production functions of EMM are not allowed to have any substantive communications with an appraiser, appraisal company, or appraisal management company relating to or having an impact on valuation or to be provided information about which appraiser has been given a particular appraisal assignment before completion of that assignment;
 4. EMM, or its agents, and any appraisal company or appraisal management company providing the appraisal to EMM does not provide the appraiser any estimated or target value of the property or the loan amount applied for (except that a copy of the sales contract for purchase transactions may be provided);
 5. The appraiser's compensation does not depend in any way on the value arrived at in any appraisal or upon the closing of the loan for which the appraisal was completed;
 6. EMM and any appraisal company or any appraisal management company providing the appraisal to EMM has adopted written policies and procedures implementing AIR, including, but not limited to, adequate training and disciplinary rules on appraiser independence (including the principles detailed in Section 3 of this Code of Conduct) and has mechanisms in place to report and discipline anyone who violates these policies and procedures. EMM has procedures in place to prevent employee misconduct;
 7. EMM's appraisal functions are either annually audited by an external auditor or are subject to federal or state regulatory examination, and, unless prohibited by law, EMM promptly provides to Fannie Mae or Freddie Mac the results of any adverse, negative, or irregular findings of such audits and examinations indicating non-compliance with any provision of this Code of Conduct, whether or not the examination was conducted for the purpose of determining compliance with this Code of Conduct; and
 8. EMM and any entity described in section 5.A. providing the appraisal to EMM recognize that, once the Independent Valuation Protection Institute is established, the Institute will receive complaints for review and referral regarding non-compliance with the Code of Conduct. Referrals and reports shall be made to Fannie Mae and/or Freddie Mac regarding such complaints and the Institute will provide information on the results of complaint reviews to Fannie Mae and/or Freddie Mac and make them available to the other parties to the Home Value Protection Program and Cooperation Agreement.



C. In underwriting a loan, EMM will order all appraisals through an appraisal management company, which may provide other services as long as the appraisal management company complies with the following:

1. 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;
2. Recognizes that, once the Independent Valuation Protection Institute is established, the Institute will receive complaints for review and referral regarding non-compliance with AIR. Referrals and reports shall be made to Fannie Mae and/or Freddie Mac regarding such complaints and the Institute will provide information on the results of its review of such complaints to Fannie Mae and/or Freddie Mac and make them available to the other parties to the Home Value Protection Program and Cooperation Agreement.

6. THE INDEPENDENT VALUATION PROTECTION INSTITUTE

When the Independent Valuation Protection Institute (“Institute”) is established, EMM will provide information to appraisers and borrowers regarding the availability of the Institute's services. EMM shall not retaliate, in any manner or method, against any person or entity that makes a complaint to the Institute.

7. APPRAISAL QUALITY CONTROL TESTING

EMM shall quality control test, 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. EMM shall 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.

8. 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.



EMM POLICY RESPONSE TO AIR

In response to the recent passing of the Appraiser Independence Requirements, EMM is releasing the following guidelines governing appraisal orders for conventional loans only. Please use existing methods for ordering FHA appraisals.

1. APPRAISAL ORDERING

- Brokers are required BY LAW to adhere to the following regarding conventional appraisals:
- Conventional appraisals must be ordered through a national appraisal ordering service. There are no exceptions allowed. Appraisals not meeting this guideline will be rejected by underwriting.
- Any appraisal ordering service must be approved by EMM senior management to ensure compliance with AIR. At the present time, EMM offers several companies that have been approved. Please see below for contact information.
- Appraisal orders may not contain any estimated or requested value. Comparable sales may not be suggested to the appraiser.
- No follow-up correspondence with the appraiser may be done by the Broker/ loan officer. The Broker processors are solely responsible for this.
- EMM will not be billed for any appraisal. All appraisal companies will be informed of this and will be advised to only bill the borrower for the appraisal. Payment for the appraisal may not be contingent on value being met.
- The appraisal must be ordered online through the appraisal company's website. A confirmation from the website must be printed and kept in the file.

Borrowers

- A copy of the appraisal is required to be sent to the borrower on all loans, regardless of whether the loan is closed, cancelled or denied. Borrowers must receive a copy of their appraisal within 24 hours of the time it is delivered to EMM from the appraisal management company.
- EMM Wholesale will be responsible for ensuring compliance with this issue.
- An email read receipt or equivalent delivery confirmation must be placed in the file or it will not be allowed to close.
- Further correspondence will follow regarding the required procedures for verifying all borrowers have received a copy of their appraisals.

[Note: According to the Illinois Residential Mortgage Lending Act ("RMLA"), any borrower whose mortgage loan is to be secured by an Illinois property must be provided with a copy of any appraisal, including any appraisal generated using the Automated Valuation Model, within 3 business days of receipt by EMM, but in no event less than 24 hours prior to the day of closing. The appraisal may be sent via first class mail, UPS, facsimile or by email, if the borrower has supplied us with an email address.]



2. STORAGE

EMM is required to keep a copy of every appraisal as backup for three years.

- A color copy of the appraisal will be uploaded to EMM's LOS image system.

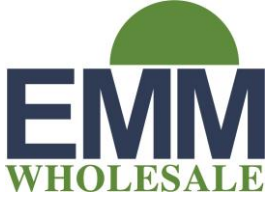
3. APPROVED APPRAISAL COMPANIES

Brokers are advised to contact each company individually for log on access, contact information provided on www.emmwholesale.com Email Broker support at brokeradmin@emmlans.com if you need further assistance.

Dart Appraisal
888.327.8123
info@dartappraisal.com

Nationwide Appraisal Network (NAN) **
813.749.8849
jpilgrim@nationwide-appraisal.com

Arivs/MidAtlantic **
302-737-0700
mdively@arivs.com



Appraiser Independence Requirements Policy (AIR)

Broker Signature:

I certify that I have read and reviewed the Appraiser Independence Requirements (AIR) Policy and that the Broker Company listed below, complies with the requirements set forth therein.

Principal _____ Date _____
Signature(s)

Name: _____

Title: _____

Broker Company: _____