

EMM Wholesale Appraisal Policy and Procedure

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POLICY OVERVIEW

On October 15, 2010 Fannie Mae and Freddie Mac announced the Appraiser Independence Requirements (AIR) which replaced the Home Valuation Code of Conduct (HVCC). 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

This policy is intended to ensure EMM employees and partners comply partners with the Appraiser Independence Requirements (AIR). This policy applies to conventional and FHA appraisal orders. VA appraisals are ordered directly through the VA portal and are subject to the control and oversight of the Veterans Administration. .

For purposes of this policy, an appraisal management company is defined as a person, limited liability company, partnership, association or corporation which for compensation administers a network of certified and licensed appraisers to fulfill real estate appraisal assignments, on behalf of mortgage lending institutions. EMM has partnerships with highly reputable and compliant AMC's to fulfill all appraisal product needs.

APPRAISAL FEE, DISCLOSURE AND REGULATORY CONTROLS

EMM does not permit appraisal fees to be collected or submitted to the appraisal management vendor until regulatory compliance disclosure requirements have been met.

The Mortgage Disclosure Improvement Act (MDIA) provides that if the early (initial) disclosures are mailed to the consumer, the consumer is considered to have received them three business days after they are sent (mailed or emailed) for purposes of the prohibition on collecting fees before the consumer receives the early disclosures.

For example:

Monday- disclosures sent (mailed or emailed)

Tuesday- business day

Wednesday-business day

Thursday –third business day after disclosures were sent , consumer is considered to have received disclosures, fees can be collected.

All appraisal product related fees must be disclosed on the borrower's initial disclosures. This includes, but is not limited to, full appraisal fee, appraisal review fee, property inspection waiver fees.

Brokers are responsible for any appraisal fees and charges incurred during the loan process that are not properly disclosed up front.

Note: This requirement applies unless there is a bona fide, documented change-in-circumstance, meeting all requirements of Regulation Z.

MANAGING AND ORDERING APPRAISALS

All appraisal orders must be placed directly with EMM's acceptable appraisal management companies (AMC). Eligible appraisal vendors contact information can be found on the EMM Wholesale website.

EMM only accepts appraisal reports completed by appraisers with the designation "certified appraiser". "Trainee" or "Licensed" appraisers are **not** eligible to appraise for EMM.

In the event you do not have access to order appraisals through the EMM approved AMCs, please refer to the 'Order an Appraisal' tab on the wholesale website; links are available for self-registration.

APPRAISAL TRANSFERS--Conventional

In the event an appraisal had previously been completed in the name of another lender, an appraisal re-typed in the name of E Mortgage Management LLC might be acceptable if completed by an EMM approved AMC and under the provisions of AIR.

Requests for conventional appraisals to be transferred out to another lender require business unit management approval. Upon approval, the business manager will generate a letter releasing the appraisal to the new lender and provide the letter along with the AIR certificate from the appraisal.

APPRAISAL TRANSFERS -- FHA

In cases where a borrower has switched lenders, the first lender must, at the borrower's request, transfer the case to EMM. FHA does not require that the client name on the appraisal be changed when it is transferred to another lender. This process is also followed for releasing appraisals to another lender.

In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), the lender is not permitted to request that the appraiser change the name of the client within the appraisal report unless it is a new appraisal assignment.

APPRAISAL CONVERSION

If an appraisal was completed in respect to a conventional loan, but later requires an FHA conversion, a Change in Circumstance must be completed and documented in the file, with the charge to convert the report disclosed to, and paid by the borrower.

For a completed FHA appraisal that is later associated with a conventional loan, the converted appraisal report must now be uploaded to the UCDP per the requirements outlined below.

APPRAISAL ESCALATION

In the event an appraisal issue must be escalated for further review, it is the brokers responsibility to escalate that issue directly to their account executive or the assigned AMC.

All communication and escalations must go through the AMC; absolutely no communication may be made with an appraiser. See the EMM *Appraisal Independence Requirements (AIR) Policy*.

PAYMENT METHODS

EMM eligible AMCs accept payment by all major credit cards and/or personal and cashier checks.

In the event that the appraisal must be paid for by check, the following steps must be completed:

1. Cashier checks are preferred by vendors and may help expedite the inspection process; personal check funds will need to clear prior to scheduling the appraisal which may cause delays
2. Check must be made payable to the AMC, **not** EMM.
3. Checks must reference the property address and borrowers name; if not directly on the check, information must be provided separately
4. Additional arrangements should be made directly with the assigned AMC customer service rep
 - a. Refer to 'Order Appraisal' on the EMM Wholesale website(s)

RE-INSPECTIONS, COMPLIANCE UPDATES, ADDITIONAL REVIEWS

If any additional appraisal product is needed after the original appraisal report has been completed, unless the full amount was initially disclosed to the borrower(s) – the additional report will need to be invoiced to the broker.

*If only a partial amount of any report cost was disclosed, contact your account executive for instruction regarding tolerances. (Your account executive will contact EMM Closing on your behalf).

DISASTER RE-INSPECTIONS

In the event of a declared disaster, additional certifications and/or reviews may be required (see EMM's Disaster Area policy).

If the transaction requires an additional certification and/or review, under EMM's Change in Circumstance guidelines the cost may be charged to the borrower. If this additional cost was disclosed up front, CIC is not required.

FHA STREAMLINE AND DU REFI PLUS PIW PRODUCTS

On certain products, additional appraisal products can NEVER be billed to the borrower and are considered a cost of doing business.

Refer to specific product guidelines (e. g. FHA Streamline and DU Refi Plus) for reduced appraisal product requirements.

UNIFORM COLLATERAL DATA PORTAL (UCDP®) PROCEDURE

The Uniform Collateral Data Portal® (UCDP®) is a single portal through which lenders electronically submit appraisal value reports for conventional mortgages delivered to Fannie Mae or Freddie Mac (the GSE's).

Appraisal value reports for all conventional mortgage loans must be submitted to UCDP if the loan application is dated on or after December 1, 2011, *and* an appraisal report is required for the loan product. In addition, the submission **must** receive a "Successful" status from both GSE's on the Submission Summary Report (SSR).

Each AMC manages the process of uploading each conventional report to the UCDP and supplies the Fannie Mae and Freddie Mac SSRs with each order.

EMM requires that all value reports be submitted by the AMC at the time of completion, and after any subsequent corrections and/or adjustments are made.

The following value reports are required to be uploaded to the UCDP by the AMC:

- Uniform Residential Appraisal Report (Fannie Mae 1004/Freddie Mac Form 70)
- Manufactured Home Appraisal Report (Fannie Mae 1004C/Freddie Mac Form 70B)
- Small Residential Income Property Appraisal Report (Fannie Mae 1025/Freddie Mac Form 72)
- Individual Condominium Unit Appraisal Report (Fannie Mae 1073/Freddie Mac Form 465)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075/Freddie Mac Form 466)
- Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055/Freddie Mac Form 2055)

Fannie Mae Forms Only:

- Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)
- Exterior-Only Inspection Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)

Successful Fannie Mae and Freddie Mac SSRs must be submitted to underwriting in order to obtain a clear to close.

VALUE REBUTTAL

In the event that there is just cause to believe superior comparable properties or updated information relative to the value of the property may be available, an official rebuttal of value may be exercised.

Each approved AMC may have a different process on what information is required, therefore partnering closely with EMM's assigned Customer Service representative at the AMC is imperative. Contact the AMC directly for further instruction.

Requesting an unjustified increase in value (e.g. without any additional superior comparable properties or legitimate information to support value increase reasoning) is strictly prohibited, and any instances reported of such actions will be addressed by executive management with the individual(s) involved.

CLOSING REQUIREMENTS

A copy of every invoice related to the loan appraisal and ancillary appraisal services must be included in every file sent to closing as evidence of payment being received in full, or indicating

further steps (e.g. the amount of the appraisal to be netted from loan proceeds or collected from the borrower at closing).

REQUIREMENT FOR BORROWER TO RECEIVE APPRAISAL COPY

AIR requires that borrowers must be provided with a copy of any appraisal(s) performed in connection with their transaction within 3 business days prior to the loan closing unless the borrower waives the 3 day requirement. AVM's are not considered to be appraisals for this requirement.

For this requirement, the 3 day period begins with the borrower's *receipt* of the appraisal. If the borrower receives the appraisal copy on Monday, the closing could be held on Wednesday. Saturday is counted for purposes of counting the 3-day period.

AMC REVIEW PROCESS

All AMC's currently set-up to conduct business in conjunction with EMM's loan production have gone through a thorough review process by senior management to ensure EMM is partnering with quality appraisal management companies, as required in the EMM Appraisal Independence Requirements (AIR) Policy.

During the review process, some of the questions asked include, but are not limited to:

- What is the AMC's process of qualifying/selecting appraisers for their panel?
- How does the AMC assign orders out? What technology do they use?
- How do they ensure all 'approved appraisers' are properly licensed?
- Are there regular checks performed (monthly/quarterly/annually) to 'scrub' their panel of appraisers?
- What is the AMC's QC process? Who is reviewing the reports when they come back? Are they reviewed by actual staff appraisers?
- Turn times/SLA's

For feedback, questions or complaints regarding AMCs send all communications to your account executive who may then escalate to executive management.).

Note: EMM may add and/or delete vendors based upon performance, volume needs, etc. AMC's are regularly reviewed and monitored through EMM's Quality Control process.

APPRAISAL REPORTING

EMM Management works with each AMC to track and maintain all orders, UCDP submissions and costs incurred. EMM reserves the right to rely upon such reports and feedback from the AMC's in regards to compliance and ensuring all policies are adhered to.

APPRAISAL CONTROLS

Every appraisal ordered through EMM's approved AMCs 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.