

HOME VALUATION CODE OF CONDUCT COMMENTS:*

I. What loans are affected by the new Home Valuation Code of Conduct?

The Code applies to 1-4 unit single-family loans sold to Fannie Mae or Freddie Mac that were originated on or after May 1, 2009. The Code will not apply to multi-family loans or to loans insured or guaranteed by a federal agency.

II. What is the primary purpose of the Code?

The primary purpose of the Code is to help enhance the integrity of the home appraisal process in the mortgage finance industry.

III. Can the lender engage the appraiser?

Yes

IV. May lenders use a pre-approved appraiser list or panel?

Yes, provided that any employees of the lender tasked with selecting appraisers for the list are independent of the loan production staff and the loan production staff is not involved in selecting appraisers off the list for particular appraisal assignments.

V. What are some of the benefits of a lender directly engaging the appraiser vs. using an appraisal management company (AMC)? *

1. The lender can directly engage the appraiser (see Code of Conduct, III), and therefore tract the delivery of the appraisal report (no middleman to deal with).
2. The appraisal fee paid by the lender is typically less when dealing directly with the appraiser vs. the fee charged by the appraisal management company.
3. More quality oriented appraisers will be willing to work for lenders who directly engage them vs. going thru an AMC. The appraiser who has a reputation of doing top quality work is in demand. Why should they work for an appraisal management company and be paid a fee that is significantly less? They won't; they'll work for lenders who will engage them directly so their time will be more fairly compensated.

4. Lenders will be held responsible, along with the appraiser, for any problems associated with the appraisal report. The amount of time an appraiser spends on an appraisal, including their own in-house quality review policies, can impact the final product. Quality oriented appraisers will take the time to produce a quality appraisal that should meet the test of USPAP and the regulators. These appraisers are an asset to their lenders, the regulators and all parties of the transaction. These appraisers expect fair/reasonable compensation for their time. The lender's risk increases as the quality of the appraisal report decreases. Per the Code of Conduct, "The lender 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 non-compliance with any provision of this Code of Conduct, with respect to loans sold to Fannie Mae and Freddie Mac respectively, and the Enterprise may enforce all applicable rights and remedies, including **requiring the lender to repurchase mortgages or the Enterprise's participation interest in mortgages.**" "A lender shall certify, warrant, and represent that the appraisal report was obtained in a manner in compliance with this Code of Conduct. If the Enterprise determines, on its own or from a referral made by the Institute, that a lender is in breach of a material aspect of this Code of Conduct or in violation of a provision of the Code by a complaint referred from the Institute, **the Enterprise will enforce all applicable rights and remedies, including suspension or termination of the lender's eligibility to sell loans to the Enterprise, if the lender fails to remediate.**"

Lenders, hopefully all of an appraiser's clientele, want and need quality appraisals. Appraisers only want and need to be fairly compensated for their time and expertise. The costs of doing business and the requirements to become an appraiser have increased significantly during the past few years, yet appraisers are receiving fees that are often 20-40+% lower whenever an appraisal management company is involved. You can pay less but get more by engaging the appraiser. Read the attached Home Valuation Code of Conduct document and the questions/answers about the document written by Fannie Mae and Freddie Mac. I hope you decide to engage your own appraisers. I would like to be considered as one of your appraisers for your institution.

*(Comments above include answers from Fannie Mae's FAQ's except for Question V. and the last paragraph of this document which are the comments of this appraiser and not the official response(s) by anyone else.)