

Home Valuation Code of Conduct

Q & A

To help enhance the integrity of the home appraisal process in the mortgage finance industry, in March 2008, Fannie Mae entered into an agreement with the Federal Housing Finance Agency—formerly the Office of Federal Housing Enterprise Oversight—and the New York Attorney General’s office to adopt certain policies relating to appraisals. The Home Valuation Code of Conduct will be effective for single-family mortgage loans (except government insured loans) that are originated on or after May 1, 2009.

Scope Of Coverage

Q1. What loans are affected by the new Home Valuation Code? All conventional, single-family loans originated on or after May 1, 2009. Origination date means the date of application. Code does not apply to multi-family loans or loans insured by a federal agency.

Q2. What are the professional requirements for an appraiser under the code? The code requires that an appraiser must be licensed or certified by the state in which the property is appraised.

Q3. Who besides Fannie Mae has agreed to adopt the code? As of this date, only Fannie Mae and Freddie Mac have agreed to adopt the code.

Q4. Does the code require lenders to obtain appraisals where they were under no such requirement pursuant to the Fannie Mae Selling Guide? No. Nothing in the code requires a lender to obtain a property valuation, or use any particular method for property valuation, nor does it affect acceptable scope of work for an appraiser.

Q5. Does the code specifically prohibit communication with an appraiser by a real estate agent? No.

Q6. Does the code apply to FHA, VA loans? No, the code does not apply to loans insured by federal agencies.

Q7. Does the code apply to the Desktop Underwriter Property Inspection Report? No. This form is an inspection report. It is not an appraisal.

Q8. Does the code apply to appraisals performed for loss mitigation? No, it does not apply to appraisals performed for loss mitigation.

Q9. What is the definition of the application date? This date is defined as the date the borrower signed the application certifying that the information is correct.

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Selection of an Appraiser

Q10. May lenders use a preapproved

appraiser list or panel? Yes, provided that any employees of the lender that select an appraiser(s) are independent of the loan production staff and the loan production staff is not involved in selecting appraisers for particular assignments.

Q11. May a servicer use an affiliate company to order appraisals for a borrower-initiated

PMI cancellation based on current value? Yes. The code does not apply to appraisals for cancelling MI based on current value. The code applies to “a mortgage financing transaction” which cancellation of MI is not.

Q12. How does the code impact lenders with proprietary automated origination systems that include a process for ordering appraisals?

The selection of appraiser process must be in compliance with the provisions of the code.

In-house Appraisers

Q13. May in-house appraisers prepare

appraisal reports? Yes, as long as conditions of Section IV-B are met.

Q14. May an in-house appraiser adjust the value on an appraisal during appraisal review as part of pre-funding or post-funding quality control process?

Yes. The code does not prohibit the underwriting of an appraisal by a lender's underwriting staff, nor a lender's due diligence in originating a loan.

Appraisal Management Companies

Q15. Is the lender required to use an AMC for ordering appraisals? No. Lenders may order appraisals directly from individual appraisers.

Q16. May an AMC affiliated with, or that owns or is owned in whole or part by a lender or lender affiliate, order appraisals? Yes, as long as the AMC meets the criteria of Section IV-B of the code.

Q17. May a lender that uses a single or group or authorized AMC's direct a broker to use a specific AMC from the group to submit information about the loan application & begin the appraisal process? Yes, this is compliant with the code because the lender is not responsible for selecting, retaining, or providing for payment of compensation to the appraiser.

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Q18. May a lender order an appraisal by directing a broker to select a specific authorized AMC, one of which would receive information from the broker about the loan application & begin the appraisal process? No. Such a process would give the broker an element of responsibility for selecting or retaining the appraiser, which is not compliant with the code.

Q19. May a lender direct a broker to use a web portal set up by the lender or lender's authorized agent, through which the broker inputs a request for an appraisal & triggers the lender to order an appraisal? Yes.

Mortgage Brokers

Q20. May a lender accept an appraisal prepared by an appraiser, ordered by a mortgage broker? No, as such noted in Section IIIA of the code.

Q21. May a mortgage banker provide the lender with an approved appraiser list for the lender to use when ordering appraisals for that particular broker? No.

Q22. May a mortgage broker order an appraisal direct from the AMC that was authorized by the lender? No, however brokers may initiate the appraisal process on the lender's behalf in accordance with arrangements made by the lender.

Q23. Does the code permit a mortgage broker to select an appraiser from the lender's list of approved appraisers, if the lender is responsible for the relationship with the appraiser, including compensation? No, the code prohibits lenders from relying on an appraisal where the broker had a role in selecting, retaining, or compensating the appraiser.

Payment for Appraisals

Q22. If the appraisal is ordered by the lender within Code, what are the requirements for payment or the appraisal to the lender? Only that the broker may not be responsible for payment of compensation to the appraiser. The code does not restrict how a lender obtains fees from a broker.

Q23. Are borrowers precluded from providing payment for an appraisal to AMC? No, but the borrower may not pay the appraiser directly.

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Appraisal Review

Q24. Does the code permit an underwriter or processor to contact an appraiser to request additional information, seek explanation, or request a correction to an appraisal report?

Only the underwriter or processor may communicate with an appraiser if they do not violate the requirements outlined in Section III-B of the code.

Quality Control

Q25. Does the quality control requirement apply to all valuations completed by a lender or only loans sold to Fannie Mae? This applies to all loans originated by the lender or acquired from a 3rd party.

Q26. Does the code require a lender to report appraisers to the applicable State certifying & licensing agency? Yes. If a lender has reason to believe an appraiser is violating applicable laws or unethical conduct, they will refer the matter to the applicable board or agency.

Independent Valuation Protection Institute

Q27. What is the status of the IVPI? The structure of the IVPI has not yet been determined nor has IVPI been established. Provisions in the code regarding IVPI are not yet effective.