

# Appraiser Independence Requirements

## I. Appraiser Independence Safeguards

A. An “appraiser” must be, at a minimum, licensed or certified by the State in which the property to be appraised is located.

B. No employee, director, officer, or agent of Bay Valley Mortgage Group, or any other third party acting as joint venture partner, independent contractor, appraisal company, appraisal management company, or partner on behalf of Bay Valley Mortgage Group, 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 company, or any entity or person related to the appraiser, appraisal company, or appraisal management company, stock or other financial or non-financial benefits;
- (8) Removing an appraiser from a list of qualified appraisers, or adding an appraiser to an exclusionary list of disapproved appraisers, in connection with the influencing or attempting to influence an appraisal as described in Paragraph B above (this prohibition does not preclude the management of appraiser lists for bona fide administrative or quality-control reasons based

on written policy); and (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 Uniform Standards of Professional Appraisal Practice (USPAP).

## **II. Acceptability of Subsequent Appraisals**

Bay Valley Mortgage Group must not order, obtain, use, or pay for a second or subsequent appraisal 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 Mortgage file, or (ii) such appraisal is done pursuant to written, pre-established bona fide pre- or post-funding appraisal review or quality control processes or underwriting guidelines, and so long as Bay Valley Mortgage Group adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value, or (iii) a second appraisal is required by law.

## **III. Borrower Receipt of Appraisal**

Bay Valley Mortgage Group shall ensure that the Borrower is provided a copy of any appraisal report concerning the Borrower's subject property promptly upon completion at no additional cost to the Borrower, and in any event no less than three days prior to the closing of the Mortgage. The Borrower may waive this three-day requirement if such waiver is obtained at least three days prior to the closing of the Mortgage. Bay Valley Mortgage Group may provide the Borrower at closing, a revised copy of an appraisal and information as to the nature of any revisions, so long as the revisions had no impact on value.

Bay Valley Mortgage Group may require the Borrower to reimburse Bay Valley Mortgage Group for the cost of the appraisal.

## **IV. Appraiser Engagement**

A. Bay Valley Mortgage Group or any third party specifically authorized by Bay Valley Mortgage Group (including, but not limited to, appraisal companies, appraisal management companies, and Correspondent lenders) shall be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser. Bay Valley Mortgage Group 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). B. There must be separation of a Bay Valley Mortgage Group's sales or Mortgage production functions and appraisal functions. An employee of Bay Valley Mortgage Group in the sales or Mortgage production function shall have no involvement in the operations of the appraisal function.

(1) Certain parties are prohibited from:

(a) 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 or forbidden to perform appraisals for Bay Valley Mortgage Group; and (b) 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.

These parties are:

(i)

All members of Bay Valley Mortgage Group's Mortgage production staff;

(ii)

Any person who is compensated on a commission basis upon the successful completion of a Mortgage; and

(iii)

Any person whose immediate supervisor is not independent of the Mortgage production staff and process.

Bay Valley Mortgage Group personnel not described in Section IV.B (1)(i) through (iii) above are not subject to the restrictions described above, and may engage in communications with an appraiser. In addition, any party, including the parties described in Section IV.B (1)(i) through (iii) above, may request that an appraiser provide additional information or explanation about the basis for a valuation, or correct objective factual errors in an appraisal report. (2) If absolute lines of independence cannot be achieved as a result of Bay Valley Mortgage Group's small size and limited staff, Bay Valley Mortgage Group must be able to clearly demonstrate that it has prudent safeguards to isolate its collateral evaluation process from influence or interference from its Mortgage production process. C. Any employee of Bay Valley Mortgage Group (or if Bay Valley Mortgage Group retains an appraisal company or appraisal management company, any employee of that company) tasked with selecting appraisers for an approved panel or substantive appraisal review must be: (1) Appropriately trained and qualified in the area of real estate appraisals; and (2) In the case of an employee of Bay Valley Mortgage Group, wholly independent of the Mortgage production staff and process.

## **V. Transfer of Appraisals**

On a case by case basis Bay Valley Mortgage Group may deliver to Fannie Mae a conventional Mortgage with an appraisal prepared by an appraiser selected by another lender, including where a Mortgage Broker has facilitated the Mortgage application (but not ordered the appraisal). Bay Valley Mortgage Group delivering the loan to Fannie Mae makes all representations and warranties to Fannie Mae regarding the appraisal set forth in the Mortgage Selling and Servicing Contract, the Selling Guide and related documents, including the representation that the appraisal is obtained in a manner consistent with these Appraiser Independence Requirements.

## **VI. Referrals of Appraisal Misconduct Reports**

Any Bay Valley Mortgage Group that has a reasonable basis to believe an appraiser or appraisal management company is violating applicable laws, or is otherwise engaging in unethical conduct, shall promptly refer the matter to the applicable State appraiser certifying and licensing agency or other relevant regulatory bodies.

## **VIII. Compliance**

Bay Valley Mortgage Groups has adopted written policies and procedures implementing these Appraiser Independence Requirements, including, but not limited to, adequate training and disciplinary rules on appraiser independence, including the principles detailed in Section I. Additionally, Bay Valley Mortgage Groups will ensure that any third parties, such as appraisal management companies, used in conjunction with the sale and delivery of a Mortgage to Fannie Mae are also in compliance with these Appraiser Independence Requirements.