

Appraiser Independence Requirements

These Appraiser Independence Requirements (AIR) set forth standards to safeguard the independence, objectivity, and impartiality of appraisers and other Independent Parties throughout the valuation process for 1 to 4-unit residential properties.

For purposes of these Appraiser Independence Requirements, the term “Independent Party” refers to the appraiser, appraisal company, appraisal management company, any entity or person related to the appraiser, appraisal company, or appraisal management company, or any other party that is part of the appraisal process. Compliance with these Appraiser Independence Requirements is the responsibility of the Seller.

I. General Requirements

- 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 person is allowed to influence or attempt to influence the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner including, but not limited to:
 - (1) Withholding or threatening to withhold timely full or partial payment to an Independent Party;
 - (2) Withholding or threatening to withhold future business from, or demoting or terminating or threatening to demote or terminate an Independent Party;
 - (3) Expressly or impliedly promising future business, promotions, or increased compensation to an Independent Party;
 - (4) Conditioning the ordering of an appraisal report or the payment of an appraisal fee, salary, or bonus on the opinion, conclusion, or valuation to be reached by, or on a preliminary value estimate requested from, an Independent Party;
 - (5) Requesting from or providing to an Independent Party comparable sales prior to engaging the Independent Party to perform an appraisal assignment;
 - (6) Requesting from or providing to an Independent Party an anticipated, estimated, encouraged, or desired value or value range for a property except that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an appraisal assignment;
 - (7) Providing to an Independent Party a proposed or targeted loan amount except that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an appraisal assignment;
 - (8) Providing stock or other financial or non-financial benefits to an Independent Party, or any entity or person related to the Independent Party;



- (9) Establishing a list of approved Independent Parties or adding an Independent Party to an exclusionary list of disapproved Independent Parties designated to perform appraisal assignments for a specific Loan Originator, loan officer, or Mortgage Broker;
- (10) Permitting Loan Originators, loan officers, or Mortgage Brokers to select from a list of Independent Parties;
- (11) Directing an Independent Party to perform an appraisal assignment using a specific scope of work that is contrary to what the Independent Party has determined is necessary to produce credible results; or
- (12) Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, or impartiality, or violates compliance with any 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

The Seller must not order, obtain, use, or pay for a subsequent appraisal in connection with a Mortgage financing transaction unless:

- A. There are indicators that the initial appraisal was inaccurate, not credible, or in violation of legal and/or professional standards related to nondiscrimination, and such indicators are clearly and appropriately noted in the Mortgage file, or
- B. Such subsequent 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 the Seller adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value, or
- C. A subsequent appraisal is required by law.

III. Borrower Receipt of Appraisal

Promptly upon completion of an appraisal report, but in any event at least three business days prior to the closing of the Mortgage, the Seller must provide to the Borrower a copy of the appraisal report at no additional cost to the Borrower. The Borrower may waive this three-business-day requirement if such waiver is obtained at least three business days prior to the closing of the Mortgage and is otherwise not prohibited.

IV. Independent Party Engagement

- A. The Seller must separate its sales and Mortgage production functions from its appraisal functions. An agent or employee of the Seller involved in the Seller's sales or Mortgage production function must have no involvement whatsoever in the operations of the Seller's appraisal functions.

If absolute lines of independence between the Seller's collateral valuation process and its Mortgage production process cannot be achieved because of the Seller's small size and limited staff, the Seller must clearly demonstrate within its written policies that it has prudent safeguards in place to isolate its collateral valuation process from influence or interference by its Mortgage production process.



- (1) For purposes of these Appraiser Independence Requirements, the following are “Restricted Parties”:
 - (a) All members of the Seller’s Mortgage production staff;
 - (b) Any person who is compensated on a commission basis upon the successful closing of a Mortgage, including, but not limited to, Mortgage Brokers, Loan Originators, and real estate agents; and
 - (c) Any person whose immediate supervisor is a member of the Mortgage production staff or otherwise participates in the Seller’s Mortgage Production process.
- (2) Restricted parties are prohibited from:
 - (a) Ordering, managing, or defining the scope of work for an appraisal assignment;
 - (b) 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 the Seller; or
 - (c) Having any substantive communications with an appraiser or appraisal management company relating to or having an impact on valuation.

Notwithstanding the foregoing, any party, including any Restricted Party, may request an Independent Party to provide additional information or explanation about the basis for a valuation, or to correct factual errors in an appraisal report.

- B. The Seller or any third party specifically authorized by the Seller (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. The Seller will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by the borrower or any other third party (including Mortgage Brokers, Loan Originators, and real estate agents).
- C. Any person involved in substantive appraisal review or in the selection of Independent Parties for inclusion on a list of approved Independent Parties must be appropriately trained and qualified in real estate appraisals.
- D. The Seller may maintain lists of approved Independent Parties only if:
 - (1) The Seller has in place a written policy that requires such lists for bona fide administrative or quality control purposes; and
 - (2) Any employee or vendor of the Seller involved in the selection of Independent Parties for such lists must be wholly independent of the Seller’s Mortgage production staff and process.

V. Use of Appraisal Reports by In-House Appraisers or Affiliated Appraisers

So long as the Seller complies with the Appraiser Independence Requirements, the Seller may:



- A. Use an appraisal report prepared by an Independent Party employed, engaged as an independent contractor, or otherwise retained by:
 - (1) The Seller;
 - (2) An affiliate of the Seller;
 - (3) An entity that is wholly or partially owned by the Seller or an affiliate of the Seller; or
 - (4) An entity that wholly or partially owns the Seller or an affiliate of the Seller.
- B. Use in-house staff to:
 - (1) Order appraisals;
 - (2) Conduct appraisal reviews or other quality control, whether pre-funding or post-funding;
 - (3) Develop, deploy, or use internal Automated Valuation Models; or
 - (4) Prepare appraisals in connection with transactions other than Mortgage origination transactions (e.g., Mortgage workouts).

VI. Transfer of Appraisals

The Seller may deliver to Fannie Mae a Mortgage with an appraisal prepared by an Independent Party selected by another lender, including where a Mortgage Broker has facilitated the Mortgage application (but did not order the appraisal). The Seller delivering the loan to Fannie Mae must make to Fannie Mae all representations and warranties regarding the appraisal set forth in the Seller's Purchase Documents, including the representation that the appraisal is obtained in a manner consistent with these Appraiser Independence Requirements.

VII. Referrals of Appraiser Misconduct Reports

If the Seller has a reasonable basis to believe an Independent Party is violating applicable laws, or is otherwise engaging in unethical conduct, the Seller shall promptly refer the matter to the applicable State appraiser certifying and licensing agency or other regulatory body.

VIII. Compliance

The Seller must adopt written policies, procedures, and disciplinary rules and implement adequate training programs to ensure compliance with these Appraiser Independence Requirements. Additionally, the Seller must ensure that any third parties, including but not limited to appraisal management companies or Correspondent lenders, involved in the origination of a Mortgage or the sale and delivery of a Mortgage to Fannie Mae are also in compliance with these Appraiser Independence Requirements.