

APPRAISAL INDEPENDENCE POLICY MANUAL

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Chapter 1 Executive Summary

Section 1472, Title XIV Mortgage Reform and Anti-Predatory Lending Act of Dodd-Frank Act (HR 4173) called for the sunset of The Home Valuation Code of Conduct (HVCC). The final Interagency Appraisal and Evaluation Guidelines (December 10, 2010) safeguard the independence of appraisers and require they receive “customary and reasonable payments for their services.”

1.1 Agency Requirements

Fannie Mae and Freddie Mac require that Patriot FCU establishes internal systems to comply with the federal rules for Appraiser Independence. Both Fannie Mae and Freddie Mac require that all single-family loans to be delivered comply with agency standards for solicitation, selection, compensation, and practitioner independence for home appraisals.

While FHA, VA and RHS loans are required to follow AIR, each agency does have their own policies and procedures that protects the integrity of the appraisals.

FHA does not require the use of Appraisal Management Companies (AMC) or other third-party organizations for appraisal ordering, but recognizes that some lenders use AMCs and/or other third-party organizations to help ensure appraiser independence. Penalties

Regulation C includes detailed, specific requirements on the collection, recording, reporting, record retention, and disclosure of mortgage lending data by Patriot FCU. Violations can result in substantial compliance, reputational and financial risk, as they subject Patriot FCU to potential administrative sanctions, including the correction (data scrubbing) and resubmission of the data and/or imposition of civil money penalties. In especially egregious cases, the CFPB is required to report violations to the U.S. Department of Justice for further action.

1.2 Fannie Mae and Freddie Mac

For Fannie Mae and Freddie Mac loans, Patriot FCU will follow the guidelines and safeguards outlined below:

1.2.1 I. Appraiser Independence Safeguards

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

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Chapter 2 Valuation Independence Requirements – Truth-in-Lending – 1026.42

Patriot FCU's commitment to compliance with Valuation Independence as set forth in §1026.42 of Regulation Z is absolute, and requires adherence to this policy by its management, employees, and third-party vendors.

The Truth-in-Lending's Valuation rule became effective on April 1, 2011 and was enacted to help reinforce the independence of the appraiser.

Reg Z's Valuation Independence applies to one-to-four family principle dwelling closed-end and home equity lines of credit transactions.

In addition to the following Regulation Z requirements, Patriot FCU will comply with the additional requirements established by the Interagency Appraisal and Evaluation Guidelines to ensure appraisal independence.

2.1 Definitions

Regulation Z Valuation Independence provides the following definitions in §1026.42:

Appraisal Management Company (AMC)

Any person or entity authorized to perform one or more of the following actions on behalf of a creditor such as Patriot FCU:

Recruiting, selecting, and retaining fee appraisers.

Contracting with fee appraisers to perform appraisal services.

Appraisal process management including

- o providing administrative services such as receiving appraisal orders and appraisal reports;
- o submitting completed appraisal reports to creditors and underwriters;
- o collecting fees from creditors and underwriters for services provided; and
- o compensating fee appraisers for services performed.

Reviewing and verifying the work of fee appraisers.

Appraisal Services

Services required to perform an appraisal, including

defining the scope of work;

inspecting the property;

reviewing data sources such as multiple listing services (MLS), tax assessment records, and public land records;