APPRAISAL AND APPRAISER INDEPENDENCE REQUIREMENTS ("AIR") AND OVERSIGHT POLICY

I. INTRODUCTION

A. OVERVIEW

An appraiser's role is to provide an independent and impartial analysis of real property. This analysis and the resulting valuation report is a critical component of a mortgage transaction. Over the past few years, rules and regulations have been established to help protect the independence of the appraiser.

In 1989, the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") established federal rules governing state certification and licensing of real estate appraisers and required the establishment of appropriate standards for the performance of real estate appraisals in connection with federally related transactions. At a minimum, real estate appraisals must be in writing and performed in accordance with generally accepted uniform appraisal standards, such as those promulgated by the Appraisal Standards Board ("ASB"). The ASB develops, interprets and amends the Uniform Standards of Professional Appraisal Practice ("USPAP"), which is the set of national standards applicable to most appraisals in the United States.

In 2009, the Federal Housing Finance Agency ("FHFA") implemented the Home Valuation Code of Conduct ("HVCC") in an attempt to improve the independence of appraisers by prohibiting lenders and third parties from influencing appraisals. HVCC attempted to isolate parties with a financial interest in a mortgage loan transaction from appraiser selection and retention. In 2010, the FHFA, Fannie Mae, Freddie Mac, and key industry participants developed the Appraiser Independence Requirements ("AIR") to replace the HVCC. AIR is meant to maintain the spirit and intent of the HVCC while reinforcing the industry's commitment to responsible lending and mortgage quality standards. AIR applies to most residential mortgage loan transactions secured by a 1-4 unit dwelling.

B. POLICY

EMM Loans LLC (the "Company") strongly supports appraiser independence. Compromising appraiser independence impacts the quality of appraisal reports adding risk for the Company, its investors, and consumers. The Company implemented this Appraisal and Appraiser Independence Requirements Policy (the "Policy") to set minimum standards for appraisals and to reinforce the independence of the appraisers.

II. APPRAISER ENGAGEMENT AND DUE DILIGENCE REVIEW

A. APPRAISAL MANAGEMENT COMPANY ENGAGEMENT

The Company maintains separation of its sales and mortgage production functions and appraisal functions at all times. Any employee within the Company's sales or mortgage production function is prohibited from involvement in the operations of the appraisal function. In particular, certain parties are prohibited from 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 Company; and from 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.

Specifically, these parties include:

- All members of the Company's mortgage production staff;
- Any person who is compensated on a commission basis upon the successful completion of a mortgage; and
- Any person whose immediate supervisor is not independent of the mortgage production staff and process. Company personnel not described 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 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.

If absolute lines of independence cannot be achieved as a result of the Company's small size and limited staff, the Company 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.

B. QUALIFYING APPRAISERS

In order to maintain appraiser independence, the Company has chosen to use only approved Appraisal Management Companies ("AMCs"). The Company requires that its AMCs ensure that appraisers are properly licensed or certified by the state(s) in which the property to be appraised is located. An appraiser must submit a copy of his license or state-issued certification for review by the AMC. Additionally, the Company requires its AMCs to ensure appraisers submit evidence of current liability/errors and omissions insurance coverage with a minimum coverage of at least $1,000,000 per occurrence or the state minimum, whichever is higher. The Company also requires its AMCs to ensure that its approved appraisers are geographically competent in the area where the property is located and to be competent in the type of appraisal being requested.

The Company may require its AMCs to obtain additional documentation based on appraiser qualification criteria set by its investors.

Appraisers that have been approved to issue appraisals for the AMC must meet the following minimum requirements with respect to all submitted appraisals:

- Comply with all USPAP standards;
- Be written and contain sufficient information and analysis to support the value cited and for the Company to make a determination whether to engage in the transaction;
- Be based upon the definition of market value as set forth in the USPAP; and
- Be performed by a State licensed or certified appraiser. The Company does not accept appraisals performed by a "trainee."

Appraisers must also (i) provide complete and accurate reports, (ii) report neighborhood and property conditions in factual and specific terms (iii) be impartial and specific in describing favorable or unfavorable factors, and (iv) avoid the use of subjective, racial, or stereotypical terms, phrases, or comments in the appraisal report. An appraiser's opinion of market value must represent his/her professional conclusion, based on market data, logical analysis, and judgment.

On an at least annual basis, the Company will conduct a review of approved AMCs.
The Company will maintain an approved list of AMCs from which it may order. Additionally, the Company will maintain an exclusionary list of appraisers from which the Company will not accept reports. The Company will also review applicable investor and agency exclusionary lists to ensure appraisals are not performed by appraisers on such lists.

C. INITIAL DUE DILIGENCE REVIEW OF AMCS

To limit the Company's potential exposure to risk, as well as consumer harm, the Company conducts a thorough due diligence review of AMCs prior to onboarding. In order to establish that an AMC is capable of functioning in a safe and sound manner and in compliance with applicable law, the Company's initial due diligence review consists of the following:

- The Company obtains a copy of the AMC's license/registration (as applicable);
- The Company obtains a minimum of three (3) business references;
- The Company obtains the resumes or bios of owners and key executives;
- The Company reviews the appraisal fee schedule;
- The Company reviews the AMC's appraiser rotation procedures;
- The Company reviews the AMC's quality control policies and procedures;
- The Company reviews the AMC's policy and procedures for approving/on-

boarding appraisers, monitoring, auditing and removing approved appraisers;

- The Company reviews the AMC's policy and procedures for reporting to the appraiser's applicable licensing agency, or other relevant regulatory agency, any reasonable belief that an appraiser is violating applicable laws or otherwise engaging in unethical conduct;
- The Company verifies that the AMC has a process in place to ensure that prior to ordering each appraisal it will re-verify that the approved appraiser:
  - License/certification has not expired;
  - Is not listed on the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") Specially Designated Nationals ("SDN") And Blocked Persons List;
  - Is not listed on Agency and investor exclusionary lists, including but not limited to U.S. Government's Limited Denials of Participation ("LDP") list and System of Award Management ("SAM") list; and
  - Errors and Omissions insurance has not expired.
- The Company reviews the Better Business Bureau site (www.bbb.org) to ensure that the AMC has an acceptable grade and, may also review a sampling of complaints filed in order to determine if a systemic problem exists that would adversely impact the Company's operations or cause consumer harm;
- The Company verifies the AMC is not listed on Agency and investor exclusionary lists, including but not limited to U.S. Government's Limited Denials of Participation ("LDP") list and System of Award Management ("SAM") list, or the U.S. Treasury Department's Office of Foreign Assets Control SDN List; and
- The Company may conduct a site visit of the AMC's place of business to meet with the leadership team and review the AMC's procedures for appraiser selection/management/independence.

D. ONGOING MONITORING OF AMCS

The Company performs an annual review of each of its approved AMCs. If findings from the annual review or any other performance monitoring activity expose a violation of consumer financial protection laws and/or Company policies and procedures by the AMC, the Company will take prompt and appropriate corrective action, including termination of the relationship as necessary.

The Company's annual AMC recertification process may include the following:

- Proof of errors and omissions coverage;
- Proof of an active license/registration (as applicable);

- Certification that the AMC is in full compliance with Agency appraisal guidelines, the Company's policies and procedures, and appraisal independence requirements;
- Updated policies and procedures;
- Financials;
- Quarterly production reports that denote the number of revisions required to an appraisal report and number of reports delivered beyond the agreed upon due date.

The Company also monitors the performance of its approved AMCs on an ongoing basis throughout the relationship. The Company reports any material defects found in appraisal reports quality control process that have noted material defects are to be reported by the Company back to the appropriate AMC upon discovery. The Company may require an appraiser to be excluded from further assignments based on issues found in appraisal reports.

E. ORDERING APPRAISALS

The Company orders appraisals directly through its approved AMCs using a rotation system and not based on any particular transaction. All appraisals must be ordered by an employee that operates independently from the loan origination and sales department and that does not receive compensation based on loan volume or the closing of a loan transaction. Loan Originators and sales assistants may not order appraisals and are prohibited from having direct communication with appraisers or AMCs. Additionally, mortgage brokers and consumers may not select and retain the appraiser. That said, the Company may direct a mortgage broker to an authorized AMC if the Company has previously arranged for its appraisal process to be managed by the specifically authorized AMC. This process would be compliant with AIR because the mortgage broker would not be responsible for selecting, retaining, or providing for payment of compensation to the appraiser.

F. PAYMENT FOR APPRAISALS

The Company may require a consumer to reimburse the Company for the cost of the appraisal if paid for by the Company upfront. However, AIR prohibits a consumer from directly paying an appraiser for an appraisal. That said, a consumer may write a check to the Company, a mortgage broker or AMC, and provide his/her credit card information and authorization for payment to the Company, a mortgage broker or AMC. A mortgage broker must send all payments from consumers to the Company. Mortgage brokers may not compensate an appraiser.

G. REVIEWING APPRAISALS

A member of the Company's trained underwriting staff reviews appraisals upon receipt. Underwriting staff tasked with reviewing appraisals must possess the requisite education, expertise, and competence to perform the review commensurate with the complexity of the transaction, type of real property, and the market. An underwriter must be able to confirm whether the report contains sufficient information and analysis to support a decision on whether to engage in the transaction. Further, underwriting staff may not and do not receive any compensation based on the successful closing of a loan transaction.

Underwriting staff perform a risk-based analysis when reviewing appraisals. They review comparables to make sure they are (i) reasonable, (ii) do not contain adjustments exceeding guidelines for adjustments, (iii) are within the subject properties' immediate area (or satisfactory explanation for comparables five miles or more from subject property), and (iv) meet investor guidelines. Additionally, underwriting staff must confirm the location of the property, review the methods used for confirming the actual physical condition of the premises (i.e. was an inspection performed?), review the sources of information used in valuing the property (i.e. public tax and land records, photographs of the property, neighborhood description, etc.), determine if any environmental concerns exist, and review the preparer's information and signature on the report.

If the underwriting staff identifies any deficiencies with a report or the value listed in the report is questioned, all requests for "reconsideration" must be reviewed and submitted by the Underwriting Manager. The Company may not coerce or unduly influence an appraiser to change the value of the report.

H. COMPLIANCE WITH APPRAISAL COPY TO BORROWER

In compliance with the Equal Credit Opportunity Act ("ECOA") Valuations Rule, the Company, or its approved AMC, provides applicants with a copy of the appraisal and other written valuations upon completion or three business days prior to consummation of the transaction, whichever is earlier. If a report is revised after an applicant receives a copy the Company, or its approved AMC, will provide the applicant with an updated version upon completion or at least three business days prior to consummation, whichever is earlier. A valuation includes any estimate of the value of a dwelling developed in connection with an application for credit. It may include, but it is not limited to an internal document prepared to confirm value, an appraiser's report, or an automated value model ("AVM"). The Company, or its approved AMC, cannot and will not charge for copies of appraisals or other written valuations.

Unless prohibited by law, an applicant may waive the timing requirement of the ECOA Valuations Rule and agree to receive copies of valuations at or before consummation. Signed waivers must be obtained from applicants at least three business days before consummation unless a clerical error is involved. When an applicant has provided a waiver, but the loan is not consummated, the Company must send the applicant the valuation no later than thirty days after it is determined that the closing will not occur. In the event correcting a clerical error on a valuation report, the applicant may waive the right to receive a revised report at least three days before consummation if the following criteria is met: (i) the revision is solely to correct clerical error, (ii) the revision has no impact on estimated value, (iii) the revision has no impact on the calculation or methodology used to drive the estimate, (iv) the applicant receives the revised appraisal or written valuation at or prior to consummation, and (v) the applicant previously received the valuation being corrected promptly upon completion or at least three days before consummation, whichever is earlier. The waiver may be written or oral. Please note the waiver relates to the 3 day requirement and does not altogether alleviate the creditor's duty to deliver the copies at or prior to consummation. Notwithstanding the proceeding, there is no waiver option for appraisals for a Higher-Priced Mortgage Loan.

I. TRANSFERRING APPRAISALS

Except for appraisals related to an FHA transaction, the Company does not accept appraisals that have been transferred from another lender. Requests to transfer an appraisal from the Company must be directly from the applicant and must contain the reason for the request as well as the full name of the lender to which the appraisal should be transferred. Appraisals may not be transferred to a mortgage broker. Appraisals transferred from the Company to another lender are transferred "as is," and without any representations or warranties as to the reliability of the appraisal or the competency and integrity of the person who prepared the appraisal.

III. APPRAISALS FOR HIGHER PRICED MORTGAGE LOAN

Unless an exemption applies (such as if the loan is a qualified mortgage or reverse mortgage), if the Company originates a higher-priced mortgage loan ("HPML") as defined under Regulation Z, the Company must:

- Use a licensed or certified appraiser who certifies the appraisal complies with USPAP and the FIRREA, and any implementing regulations;
- Review the National Registry to verify that the appraiser is certified or licensed in the state where the property is located on the date he signed the appraiser's certification;
- Have the appraiser physically visit the property and view the interior and produce a written appraisal report;
- Obtain an additional appraisal at its own expense if the property's seller acquired the dwelling within the past 180 days and is reselling it for more than a 10% price increase if the seller acquired the property in the past 90 days and more than a 20% price increase if the seller acquired the property in the past 91 to 180 days;
- Provide a disclosure within three business days of application explaining the consumer's rights with regard to appraisals; and

- Give consumers free copies of the appraisal reports performed in connection with the loan at least three days before consummation of the transaction.

Unless an exemption applies, the Company shall confirm that all appraisal reports for higher-priced mortgage loans:

- Identify the creditor who ordered the appraisal, the property, and the interest being appraised;
- Indicate whether the appraiser analyzed the contract price;
- Address conditions in the property's neighborhood;
- Address the condition of the property and any improvements to the property;
- Indicate which valuation approaches the appraiser used and includes a reconciliation if the appraiser used more than one valuation approach;
- Provide an opinion of the property's market value and an effective date for the opinion;
- Indicate that the appraiser performed a physical property visit of the interior of the property; and
- Include a certification signed by the appraiser that the appraisal was prepared in accordance with the requirements of USPAP and FIRREA and any implementing regulations.

The HPML Appraisal Rule provides exemptions for the following types of transactions:

- Qualified Mortgages;
- Reverse mortgages;
- Bridge loans (for 12 months or less);
- Loans for initial construction of a dwelling (not limited to loans of 12 months or less);
- Loans for $25,000 or less, indexed every year for inflation;
- Streamlined refinance loans, provided (i) the holder of the credit risk of the existing obligation remains the same on the refinancing, (ii) the periodic payments under the refinance loan do not result in negative amortization, cover only interest on the loan, or result in a balloon payment, and (iii) the proceeds from the refinance loan are only used to pay off the existing obligation and to pay closing or settlement charges; and
- Certain loans secured by manufactured homes.

IV. PROHIBITED ACTIONS

No employee, director, officer, agent of the Company, or any third party vendor or affiliate of the Company, shall influence, or attempt to influence, the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, or bribery. The Company further prohibits the following actions:

- Withholding, or threatening to withhold future business from an appraiser or AMC;
- Removing or threatening to remove an appraiser or AMC from the Company's approved list and/or placing or threatening to place an appraiser or AMC on the Company's exclusionary list;
- Expressly or impliedly promising future business, promotions, or increased compensation to an appraiser or AMC;
- Providing the appraiser or AMC with the desired property value or otherwise conditioning the ordering of an appraisal or the payment for an appraisal fee on obtaining a desired value (providing a copy of the sales contract for purchase transactions does not fall within this category and may be provided);
- Ordering a second appraisal in an attempt to influence the outcome of the first appraisal or otherwise "value shop"; or
- Any other act practice that impairs or attempts to impair an appraiser's independence.

V. REPORTING APPRAISER MISCONDUCT

Any reasonable belief that an appraiser or AMC is violating applicable laws or otherwise engaging in unethical conduct, must be immediately reported to the applicable State appraiser certifying and licensing agency or other relevant regulatory agency.

VI. CONCLUSION & ADOPTION

All employees must abide by this Policy. This Policy was last reviewed by Peter Mocny, the Company's Senior Vice President, Risk Management, on: February 3, 2022.

This Appraisal and Appraiser Independence Requirements ("AIR") Policy is adopted and made effective as of the date set forth below.

EMM Loans LLC

Signature: Pete Mocny
Name: Peter Mocny - Senior VP of Risk Management
Date: 2/10/2022