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OPERATIONS POLICY

Effective Date: March 18, 2013

Last Revised: August 18, 2022

Impacted Channels: Operations

Impacted Roles: MLO, Processing, Underwriting

1.1 Purpose

On October 15, 2010 Fannie Mae and Freddie Mac announced the Appraiser Independence Requirements (AIR) which replaced the Home Valuation Code of Conduct (HVCC). These requirements:

- Protect the independence of appraisers and the integrity of their appraisals.
- Extend these important protections for home buyers, mortgage investors, and the housing market.
- Reinforce Fannie Mae's commitment to responsible lending and mortgage quality standards
- Appraisal Controls

1.2 Policy Statement

This procedure is intended to ensure EMM (Neptune) compliance with the Appraiser Independence Requirements (AIR), MDIA and other appraisal related regulations and guidelines in reviewing appraisals and determining the appraised value to be used in making a credit decision. This procedure applies to conventional and FHA appraisal orders. VA appraisals are ordered directly through the VA portal and are subject to the control and oversight of the Veterans Administration.

1.3 Value Rebuttal

Value rebuttal requests are typically the result of one of two issues-

1. The appraised value is determined to be “high” following an underwriter review or appraisal review such as an Enhanced Desk Review
2. The appraised value is asserted to be “low” based on market information brought forth by parties to the loan transaction

Rebuttals must GENERALLY be based on an underwriter’s decision that an appraisal is potentially deficient. Rebuttals must be ordered under the direction of a Neptune underwriter and only after approved by the Special Projects Manager. The reason that the deficiency is in question must be documented in the loan file.

1.4 Low Appraised Value

Initial Rebuttal

If the value is “low” and it is believed that superior comparable properties or updated information relative to the value of the property is available, a rebuttal may be requested from the AMC after Manager approval by the broker and they will manage the rebuttal.

Each approved AMC may have a different process and information requirements.

If the original appraiser does not wish to change the value, EMM will not use an EDR, even if by a licensed appraiser, or a field review to support a higher value. Prior to ordering a full second appraisal, the loan must be escalated to the Special Projects Manager for further review and instructions.

In no cases can a Broker or Correspondent order a second appraisal to rebut a low appraised value, except under directions from the Special Projects Manager. The underwriter must first declare that the first appraisal is deficient and escalate it.

The second appraisal ordered **must be relied upon for the final value**. Federal compliance regulations under Appraisal Independence do not permit “value fishing”.

Scenario 1 – Appraiser Agrees to Change Value

- The broker can rebut with the AMC by providing the new information
- The AMC provides the new information to the original appraiser
- The original appraiser should address the new information brought forward and either adjust the value or decline the value adjustment
- **If the appraiser changes the value, then the appraiser uploads an “updated” appraisal to the UCDP with a new SSR.**
 - The new SSR has the same effective date (inspection date) but a new signature date.
 - The new SSR must reflect updated comparable properties or other new comparable properties used in determining the final value. The value **cannot** be changed without new information.

The underwriter **MUST** confirm that the UCDP appraisal is the appraisal version relied upon in underwriting the loan file

Scenario 2- Appraiser Does Not Agree to Change Value – Second Appraisal

- If the appraiser declines and the AMC supports the assertion of deficient appraisal, then the AMC should provide a new appraisal at no charge
- If the AMC does not support the assertion of deficient appraisal, then
 - The underwriter documents the reason that the appraisal is being found deficient and
 - A second appraisal value is ordered with underwriter approval. Brokers may **NEVER** order a second appraisal without underwriter approval.
 - The new appraisal **must be relied upon** in arriving at a valuation if the value is lower.
 - EMM will not accept a field review value in determining an appraised value that is higher than the first appraisal.
 - **The new appraisal must, at a minimum, be based on the same level of inspection that was required for the original appraisal (note: EMM does not accept field reviews in determining “higher” appraised values.**
- All steps leading to the second appraisal must be clearly documented in the loan file by the underwriter
- When a second appraisal is obtained, there will be two appraisals associated with the loan file in the UCDP.
 - The underwriter must **CLEARLY** note on the front page of 1008 that there are multiple appraisals associated with the loan file and document why the first appraisal was found



deficient and why the second appraised value was relied upon in determining final appraised value.

Note: Loan files with multiple appraisals can be declined by EMM for “value fishing”, unless the loan product requires a second appraisal or the second appraisal was ordered at the direction and under the supervision of an EMM underwriter.

1.5 Submission Summary Report (SSR)

The revised SSR must match the revised data. If the SSR does not match, the appraisal data must be corrected in the UCDP by the AMC and presented back to underwriting prior to closing. All data in the UCDP must match the revised appraisal if the appraised value and it’s comps were added, deleted, etc.

1.6 Out of Scope

VA appraisal transactions

RELATED POLICIES AND PROCEDURES	LINK
Appraisal Independence	No link

Revision History

REVISED DATE	REVISION	AUTHOR
10/20/2017	Content review only, no changes	Janet Schumacher
01/10/2018	Chief Credit Officer language to SVP Credit & Underwriting	Janet Schumacher
01/10/2019	Reviewed, no changes	Janet Schumacher
01/10/2020	Reviewed, no changes	Janet Schumacher
10/01/2020	Legal name change	Janet Schumacher
12/13/2021	No changes	Janet Schumacher
08/18/2022	Updated Roles	Jaime Burnett


