

Trust One Mortgage

HVCC

Home Valuation Code of Conduct

The Home Valuation Code of Conduct is intended to enhance the integrity of the home appraisal process in the mortgage finance industry.

1. Code Basics:

- Applies to loans secured by 1-4 unit residential properties that originated on or after May 1, 2009 and delivered to FNMA.
- The Code governs appraisal selection, solicitation, compensation, conflicts of interest, and corporate independence, among other things.
- The Code does not apply to:
 - Government loans (FHA, VA).
 - Appraisals for the purposes of cancelling mortgage insurance coverage.
 - Non-appraisal valuation methods (automated valuation models, broker price opinions).
 - DU property inspection reports.
 - Appraisal performed for loss mitigation purposes.
- The Code establishes requirements governing:
 - Appraiser independence.
 - Appraiser engagement.
 - Improper influences on appraisers.
 - Borrower receipt of appraisal report.
 - Quality control.
 - Representations and warranties.
 - Creation of the Independent Valuation Protection Institute.
- Trust One, their agents, and third parties may not influence or attempt to influence the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, bribery, or any other means, such as withholding (or threatening to withhold) payment or future business from an appraiser, requesting a specific valuation, or promising future business or providing nonfinancial benefits to an appraiser.

2. Appraiser Selection: Lenders' (Trust One's) Responsibilities:

- Trust One must ensure that the appraisal process is completely independent of their loan production.
- Loan production staff, including commissioned workers, may not select, retain, recommend, or influence the selection of appraisers for specific assignments or inclusion on a Trust One list or panel of appraisers.
- Employees tasked with selecting appraisers must be appropriately trained and qualified in real estate appraisals and independent of the loan production staff and process.
- While ensuring independence of their appraisal process and loan production, Trust One may:
 - Use a pre-approved list or panel to select an appraiser – but selections must be independent from the loan production staff. Trust One requires that appraisals be ordered through an approved and randomly assigned AMC (Appraisal Management Company), not from the appraiser directly. Trust One prohibits the use of AMC's that assign appraisals to their own employees. Trust One Mortgage does not accept HVCC appraisals completed by appraisers who are directly employed by the assigning Appraisal Management Company (AMC). This is a violation of the intent of the HVCC and therefore, it is prohibited.
 - Use in-house appraisers that are independent from the loan production staff and meet other requirements of Section IV-B.
 - Use an appraisal management company (AMC), a group of AMCs, or individual appraisers.
 - Communicate with the appraiser during the review process, and request additional information or correction of factual errors.
 - Order a second appraisal.
 - Use appraisals ordered by a settlement services firm.

3. Mortgage Brokers and Appraisers:

- Mortgage brokers may not select, retain, or compensate appraisers.
- However, brokers may initiate the appraisal process by providing loan application information to the AMC that was assigned by Trust One to manage its appraisal process through an online interface established by Trust One.
- Trust One must be named as client on all appraisal reports.

4. Ordering the Appraisal: Appraisal money cannot be collected and the appraisal cannot be ordered before the borrower receives lender disclosures no matter who is paying for the appraisal. For Investment property, HVCC applies, but there are no MDIA disclosures and therefore no timing issues with when appraisal can be ordered.

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- 5. Appraisal Portability:** Appraisals obtained in compliance with the Code are portable – that is, they may be transferred from one lender to another. For example: A mortgage broker submits a loan to Lender A, which orders an appraisal. The broker later decides to submit the loan to Lender B, which is offering better terms (or for another reason). Lender B may accept the original appraisal provided it obtains written assurance that Lender A followed the Code’s requirements (as noted in Code Section III.A). If the appraisal is in a Broker’s name, then a new appraisal is needed. HVCC appraisals assigned from a Broker cannot be accepted, only HVCC appraisals assigned from another Lender are acceptable. The appraisal must be in Trust One’s name or assigned to Trust One before docs can be drawn for all conventional loans. If an HVCC appraisal was completed for a previous lender, Trust One may accept this appraisal, subject to investor guidelines, under the following conditions:
- The lender in whose name the appraisal was completed must certify that the appraisal is HVCC compliant.
 - The lender in whose name the appraisal was completed must state in writing that they are assigning the appraisal to Trust One.
 - NOTE: Appraisals can only be assigned by a lender to a lender. Brokers cannot assign appraisals to lenders. If prior appraisal is in Broker’s name, we need a new appraisal.
 - The assignment must be completed prior to docs being drawn due to FNMA interpretation that ‘closing date’ is the date the note was signed
- 6. Copy of Appraisal Report to the Borrower:**
- Trust One 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. Field reviews or LARA’s do not need to be given to the borrower unless there is change in value. Then, documentation of the date and method of delivery of the appraisal to the borrower must be documented in the loan file.
 - The Code requires the borrowers receive a copy of their appraisal at least three business days prior to closing, (“closing” is defined as the date the security instrument and note are executed) without having to make a written or verbal request, unless they have previously elected to waive their right to the appraisal. When counting the “three days prior to closing” requirement, the counted days must be business days. Saturday may be included as a business day. Sunday and legal holidays cannot be counted in the three business day requirement. Both the appraisal delivery business day and the loan closing (document execution) business day may be included in the three business day calculation. The following are non-holiday examples of meeting the requirement: 1. The borrower receives the appraisal on Monday - Monday is counted as day one, Tuesday is day two, Wednesday is day three, and the loan may close (documents executed) on Wednesday. 2. The borrower receives the appraisal on Friday - Friday is counted as day one, Saturday is day two, Monday is day three, and the loan may close (documents executed) on Monday. Borrowers must not be required to request, either verbally or in writing, a copy of the appraisal.
 - Borrowers may not be allowed to acknowledge their receipt of the appraisal by signing such an acknowledgment at the time of application. It would not be possible to have received a copy of the appraisal at that point in the process, as it has not yet been ordered.
 - The borrower may waive the three-day requirement. (See Borrower Appraisal Disclosure in this chapter) Appraisal delivery waivers are only to be used in the event that the timing of the appraisal completion conflicts with meeting the required delivery time frame based on the scheduled closing date. The waiver may be signed at time of application. It may not be signed at the time of closing, since the Code requires the copy of the appraisal to be received by the borrower at least three business days prior to closing. So to allow the waiver to be signed at closing would be after a violation of the Code had already occurred. Since the Code requires that a copy of the appraisal be delivered to the borrower(s) promptly upon completion, the waiver would need to be signed sometime before the appraisal was completed. Waivers are subject to the following conditions:
 - The written waiver must be signed and dated by at least one borrower.
 - The written waiver must be signed at least one (1) business day prior to closing. The waiver cannot be signed at closing.
 - Appraisals must always be provided to the borrower at or prior to closing.
 - The practice of requiring a blanket waiver for the three business day delivery requirement on all loans is unacceptable.
 - When the advance delivery requirement is waived by the borrower, a copy of the appraisal is still required to be provided to the borrower no later than closing.
 - The waiver of the advance delivery of appraisals cannot be requested by the borrower at closing.
 - Should the borrower request to waive the requirement for receipt of the appraisal prior to closing, the file is required to include evidence that the borrower’s request was made at least three business days prior to closing or doc signing to meet the code requirement.
 - A Copy of the HVCC Appraisal Delivery Form (see end of chapter) must be included in each closed loan file. This form satisfies the Code’s requirement that borrowers receive for review a copy of the appraisal at least three days prior to the loan closing date. In all circumstances, the date and method of delivery of each appraisal to the borrower, even if delivered by hand or at closing, must be documented in the delivered loan file.
 - Trust One may require the borrower to reimburse the lender for the cost of the appraisal.

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- Trust One must provide a copy of the appraisal report to the borrower by any means, including mail, e-mail, and overnight delivery. Implied delivery time frames: First Class Mail is deemed received five days after the date mailed; Overnight mail is deemed received the day after the package is sent; Email, hand delivered, and faxed deliveries are deemed received on the delivery date.
 - If the method of delivery of the appraisal is Standard Mail (1st Class) the mailing date of the appraisal must be no less than five (5) business days prior to closing. Business days are defined as Monday through Saturday excluding legal public holidays.
Example #1: The appraisal is sent to the borrower via 1st class mail on Monday – count Tuesday, Wednesday, Thursday as days 1 – 3. Consider Thursday as the delivery date and first day for review, Friday as day 4, and you can close on or after Saturday, day 5. Example #2: The appraisal sent to the borrower via 1st class mail on Wednesday. Count Thursday, Friday, Saturday as days 1 – 3. Consider Saturday as the delivery date and first day for review, (Monday is a holiday) Tuesday as day 4, and you can close on or after Wednesday, day 5.
- 7. Payment for the Appraisal:**
- Appraisal money cannot be collected and the appraisal cannot be ordered before the borrower receives lender disclosures no matter who is paying for the appraisal.
 - The borrower may pay Trust One, broker, or AMC for the appraisal.
 - The borrower may not pay the appraiser directly.
 - The mortgage broker may pass the borrower’s payment for the appraisal to Trust One or AMC.
 - The mortgage broker may not pass the borrower’s payment to the appraiser directly.
- 8. Documentation:** The following documentation is required with HVCC appraisals:
- HVCC Certificate of Compliance: supplied with the appraisal by the AMC.
 - HVCC Appraisal Delivery Form: certifies that a copy of the appraisal was sent to the borrower, the date it was sent, and the delivery method (e-mail, 1st class mail, facsimile, or overnight courier service).
 - Borrower Appraisal Disclosure: Must be completed and executed prior to delivery of the appraisal. Allows the borrower to waive their right to a 3-day review period prior to docs being signed. This disclosure cannot be signed with docs. The waiver only waives the three days, it does not waive the requirement for the appraisal to be delivered to the borrower.
- 9. Representations and Warranties:** Trust One must “rep and warrant” that the appraisal report was obtained in a manner compliant with the Home Valuation Code of Conduct.
- 10. Independent Valuation Protection Institute (IVPI):**
- The Code provides for the establishment of an Independent Valuation Protection Institute.
 - The IVPI has not yet been established and its structure has not been determined.
- 11. Resources – On eFannieMae.com:**
- Home Valuation Code of Conduct:
<https://www.efanniemae.com/sf/guides/ssg/relatedsellinginfo/appcode/pdf/hvcc.pdf>
 - FAQs:
<https://www.efanniemae.com/sf/guides/ssg/relatedsellinginfo/appcode/pdf/hvccfaqs.pdf>
 - Fannie Mae Announcement 09-01:
<https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2009/0901.pdf>
 - Home Value Protection Program and Cooperation Agreement:
<https://www.efanniemae.com/sf/guides/ssg/relatedsellinginfo/appcode/pdf/agreementappcode.pdf>

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Appraisal Management Company Listing

All appraisals must be ordered on-line through an Appraisal Management Company. The following companies are eligible Appraisal Management Companies:

- **Collateral Appraisal Management, LLC**, 108 Pacifica, Ste. 290, Irvine, CA 92618; www.CAManagement.net; Office: (949) 453-8284; Fax: (949)453-0035. Must be contacted to set up an account for ordering appraisals.

Trust One Mortgage
HVCC Appraisal Delivery Form

Trust One Mortgage
108 Pacifica, Suite 300
Irvine, CA 92618

Borrower Name

Borrower Street Address

Borrower City, State and Zip

Loan #

Date Sent: _____

Delivery Method: ____ Via E-Mail ____ Via 1st Class mail ____ Via Facsimile
____ Via Overnight Courier Service

Dear _____:
Borrower Name

Please find enclosed a copy of the appraisal report(s) that will be used in connection with your mortgage loan application.

The enclosed appraisal report(s) was prepared for our use in evaluating the collateral used in the loan transaction for which you have previously applied. This appraisal should not be relied upon by any other person or entity, or for any other reason. No representation or warranty of any kind is implied.

Multiple appraisal reports may be included herein if such additional reports were required to evaluate your property and overall loan application or if a review appraisal was necessary in addition to the originally ordered appraisal.

We may not yet have fully determined the acceptability of the enclosed appraisal report(s) for use in connection with your mortgage loan application. If any changes in value occur based on our review, a copy of the revised appraisal will also be forwarded to you.

Please note that an appraiser must follow certain professional appraisal standards and is not allowed to discuss the appraisal report(s) with you or provide a copy of the appraisal directly to you. Please feel free to contact our office if you have any questions.

Signature/Trust One or authorized Appraisal Management Co.

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Borrower Appraisal Disclosure

Under the Home Valuation Code of Conduct, the appraisal of your property subject to this mortgage loan request must be ordered by your lender. You will be required to pay for the appraisal of your property. This appraisal fee may be non-refundable unless otherwise required by law. The collection of this appraisal fee does not guarantee a loan approval and is not a commitment to lend.

You are entitled to receive a copy of your property appraisal report no later than three business days prior to the closing of your mortgage loan transaction. If you do not receive a copy of your appraisal report at least three business days prior to the loan closing date, you will be required to postpone your closing for three business days from the date you received the appraisal.

At your discretion, the following two options are available to you at this time. Please select from the following options:

_____ I request that my appraisal be made available to me, regardless of when the closing may be scheduled to take place. I understand I am required to have a minimum of three business days after receipt to review my appraisal report. I do not wish to waive the right to those three business days.

_____ I request that my appraisal be made available to me, regardless of when the closing may be scheduled to take place. I hereby waive my rights to have a minimum of three business days after receipt to review my appraisal report.

Applicant Signature

Date

Applicant Signature

Date