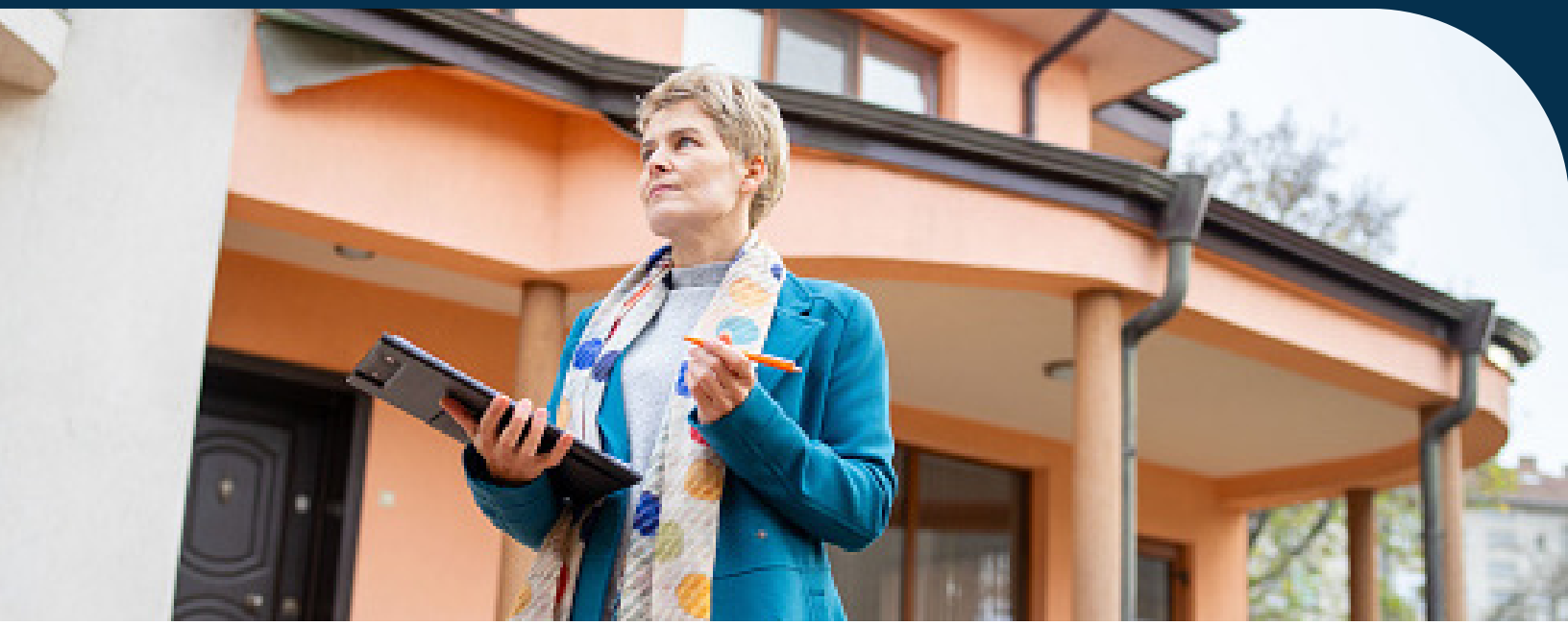


Seller/servicer risk self-assessment

Appraisal Management and Appraiser Independence Requirements

Seller/servicers are responsible for obtaining appraisals in compliance with Fannie Mae's requirements. They must have written policies and procedures to comply with Appraiser Independence Requirements (AIR) including, but not limited to, adequate training and disciplinary rules on appraiser independence. Additionally, seller/servicers must ensure that any third parties, such as appraisal management companies or correspondent lenders used in conjunction with the sale and delivery of a mortgage loan to Fannie Mae, are also in compliance with AIR.

In this document

- Self-Assessment Checklist
- Common Findings and Documentation

Resources

- *Selling Guide*, B4 1.1, General Appraisal Requirements
- Find an Appraiser (license check)
- Appraiser Independence Requirements (AIR)
- AIR FAQs
- Appraiser Quality Monitoring | Fannie Mae

Self-Assessment Checklist

Required

Compliance

- ☐ Selection of qualified appraisal services providers (appraisers, appraisal management companies (AMCs), or Independent Party) in accordance with Fannie Mae requirements, including the Appraiser Independence Requirements (AIR).
- ☐ Ensuring employees of sales and loan production are restricted from the appraisal process (Restricted Party, which includes ordering appraisals and/or communicating with the appraiser).
- ☐ Safeguards in place to ensure no employee, director, agent of the seller, or any third party acting on behalf of the seller influences the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner.
- ☐ Policies and/or procedures through which the seller ensures they 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.
- ☐ Policies and/or procedures through which the seller ensures they 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).
- ☐ If originating broker loans, have established controls in place to prevent the mortgage broker from selecting from an approved appraiser list or an approved appraisal management company (AMC) list.
- ☐ Managing the distribution of appraisal assignments in compliance with AIR.
- ☐ Providing a copy of the appraisal to the borrower(s) or obtaining a signed waiver at least three days prior to closing.
- ☐ Ensuring transferred conventional appraisals are ordered in adherence to AIR.
- ☐ Processes and policies and procedures to prevent closing loans with appraisals completed by appraisers who have been suspended/terminated or not approved.

Review and escalations

- ☐ Ensuring the appraiser has used sound reasoning and provided evidence to support the methodology chosen to develop the value opinion, particularly in cases that are not explicitly covered by Fannie Mae policy.
- ☐ Policies and/or procedures through which the seller ensures all appraisals are reviewed and evaluated in compliance with B4-1.1-04, Unacceptable Appraisal Practices.
- ☐ Referral of appraiser misconduct to the applicable state appraiser certifying and licensing agency or other relevant regulatory bodies.
- ☐ Reporting fraudulent appraisal practices to the Mortgage Asset Research Institute (MARI), Fannie Mae, The Appraisal Foundation, and state and/or local regulatory authorities.

Monitoring and reporting

- ☐ Maintaining an approved Independent Party list and reviewing the appraiser's credentials to ensure they are currently licensed in the state of operation.
- ☐ Ensuring that assigned appraisers have the active credentials and appropriate license levels to complete appraisal assignments based on complexity and transaction amount.
- ☐ All appraisals are successfully submitted to Fannie Mae through the Uniform Collateral Data Portal® (UCDP®) prior to loan delivery.
- ☐ Continually evaluating the appraiser's work through the quality control process.
- ☐ Dedicated staff/department responsible for appraisal quality.
- ☐ Comparing potential new appraisers to in-house exclusionary list, other investor exclusionary lists, or disapproved Independent
- ☐ Parties and the Fannie Mae Appraiser Quality Monitoring (AQM) list.
- ☐ Process to validate the property condition has not materially changed in areas identified as disaster areas and process to resubmit loan case files to Desktop Underwriter® (DU®).

Additional checklist items

Recommended

Feedback and training

- ☐ Training is provided to loan production staff on AIR compliance.
- ☐ In-house and investor appraiser exclusionary lists are available to all staff.
- ☐ Established processes to ensure clear guidance is provided to all management and staff involved in the appraisal/collateral review process and the use of Collateral Underwriter®.
- ☐ Procedures to address Collateral Underwriter feedback: risk score, flags, and messages.

Review and escalations

- ☐ Escalation process to review appraisals with high Collateral Underwriter risk scores (4 or 5 on the scale of 1 to 5, with 5 being the riskiest).

Monitoring and reporting

- ☐ If using an AMC, a formal oversight process to monitor the outcomes (including defects) of work produced with reporting outside the lines of production.
- ☐ Regular meetings are held to discuss and review reporting around monitoring and management of appraisers and AMCs.
- ☐ AMCs have a process in place to track changes in appraisal values after reports are submitted, and to track incoming calls/requests to ensure they are not from sales or production staff.
- ☐ Process in place to query assigned Independent Parties to ensure they have not received calls and/or requests from employees of sales or production.
- ☐ Monitoring restricted parties to ensure they are not contacting the AMC/assigned appraiser.
- ☐ Using the Fannie Mae AQM list during the post-closing quality control (QC) audit process will help to minimize appraisal/appraiser deficiencies/findings.

Common Findings and Documentation

Mortgage Origination Risk Assessment (MORA)

Fannie Mae conducts regular reviews to evaluate compliance with our guidelines and assess operational risks. Reviews are conducted by a team that operates independently of customer account relationship management in Fannie Mae's single-family mortgage business. A Mortgage Origination Risk Assessment (MORA) review is intended to be a joint activity conducted by the review team with active participation of your organization.

The **common findings** and **required documentation** listed below are specific to the topic of this risk self-assessment, Appraisal Management and Appraiser Independence Requirements.

Common findings

- The seller/servicer does not have policies and procedures in place to ensure compliance with the Appraiser Independence Requirements.
- The seller/servicer's Appraiser Independence Requirements policies and procedures do not include all required components.
- The seller/servicer is not in compliance with the Appraiser Independence Requirements.
- The seller/servicer must implement comprehensive controls relating to appraisal reviews in the underwriting function within its organization.
- The seller/servicer does not have policies and procedures in place to ensure that for each loan delivered to Fannie Mae that the property is not damaged.
- The seller/servicer must implement comprehensive processes and controls to monitor the quality of appraiser work performed for their organization.

Required documentation for a review

A. Appraiser Approval and Review Policies

- Appraiser approval policy
- Current list of third-party vendors used to support the appraisal process
- Procedures for management of and oversight of any appraisal management companies, including review tools and review of appraisals

B. AIR Policies and Procedures

- AIR policy
- Procedures for adherence to the AIR

C. Documented Procedures to Address Properties Affected by a Disaster

- Procedures for complying with all requirements for properties affected by a disaster

Corrective actions

Corrective actions should require implementation of required policies and procedures, the identification of a control function to ensure they are updated on a regular basis, training for responsible parties, and validation that the required activities are completed in line with Fannie Mae *Selling* and/or *Servicing Guide* requirements.

What's next?

Use the insights you have gained — especially any gaps identified in your practices and processes — to create a customized action plan.

This document is provided for informational purposes. In case of any conflict between this document and the Selling Guide and/or Servicing Guide, the Guides will govern.