

FHA APPRAISAL REQUIREMENTS - EFFECTIVE JANUARY 1, 2010

Mortgage Brokers or any member of a lenders staff who are compensated on a commission basis tied to the successful completion of a loan are prohibited from selecting, retaining or compensating an FHA Roster Appraiser in any manner

The lender is responsible for assuring the appraiser who actually conducted the appraisal is correctly identified in FHA Connection - subject to administrative sanctions for failure to do so.

The lender must ensure:

- 1 Appraisers are not prohibited from recording the fee the appraiser was paid on the appraisal in the report
- 2 FHA Roster appraisers are compensated at customary & reasonable rates for the services performed
- 3 Lender may not include a fee for appraisal management process
- 4 Any management fee charged by an AMC or 3rd party must be for actual services (ordering, processing, review)
- 5 AMC or 3rd party fee may not exceed what is customary and reasonable

None of the following may have substantive communications relating to or impacting the valuation, including ordering or managing an appraisal assignment:

- 1 Members of the loan production staff
- 2 Any person who is compensated on a commission basis upon successful loan completion
- 3 Any person who reports, ultimately, to any officer of lender not independent of the loan production staff
- 4 DE Underwriters responsible for appraisal quality may request clarifications and discuss appraisal quality components
- 5 If absolute lines of independence cannot be achieved as a result of the lenders limited size and staff, the lender must be able to demonstrate that it has prudent safeguards to isolate its collateral evaluation process from influence or interference

Mortgagees and 3rd parties working on behalf of mortgagees are expressly prohibited from:

- 1 Withholding or threatening to withhold timely payment or partial payment for an appraisal report
- 2 Withholding or threatening to withhold future business or demoting, terminating or threatening to demote an appraiser
- 2 Express or implied promise of future business, promotions or increased compensation for an appraiser
- 3 Conditioning an appraisal order or payment of appraisal fee, salary or bonus to an appraiser on the opinion, conclusion or valuation to be reached, or on a preliminary value estimate requested from an appraiser
- 4 Requesting an appraiser to provide an estimated, predetermined or desired valuation prior to completion of the appraisal report, or requesting estimated values or comparable sales at any time prior to the completion of an appraisal report
- 5 Providing to the appraiser an anticipated, estimated, encouraged or desired value for a subject property or a proposed target amount to be loaned to the borrower, except that a copy of the sales contract for purchase must be provided
- 6 Providing to the appraiser, appraisal company, appraisal management company or any entity or person related to the appraiser, appraisal company or appraisal management company, stock or other financial or non-financial benefits
- 7 Ordering, obtaining, using, or paying for a 2nd or subsequent appraisal or AVM in connection with a mortgage financing transaction unless (i) there is a reasonable basis to believe the initial appraisal was flawed or tainted and such appraisal is clearly and appropriately noted in the loan file, or (ii) unless such is done pursuant to written, pre-established bona-fide pre- or post-funding appraisal review or quality control process or

underwriting guidelines, and so long as the lender adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value

8 Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity or impartiality or violates law or regulation, including, but not limited to TILA, Reg Z and USPAP

9 The lender (or third-party acting for the lender) must select an appropriate appraiser for every assignment

10 The lender (or third-party acting for the lender) must not assume, simply because an appraiser is state certified, the appraiser is qualified or knowledgeable in a specific market area

11 The lender is responsible to determine whether an appraisers qualifications are sufficient to enable the appraiser to competently perform appraisals prior to appraisal assignment

USPAP and its Competency Rule apply to all FHA insured loan transactions