

A la mode - PROPOSED HVCC REVISIONS

I. No employee, director, officer, or agent of the lender, or any other third party acting as joint venture partner, independent contractor, vendor management company, or partner on behalf of the lender, shall influence or attempt to influence the development, reporting, result, or review of a collateral valuation through coercion, extortion, collusion, compensation, instruction, inducement, intimidation, bribery, or in any other manner including but not limited to:

1) withholding or threatening to withhold timely payment for a collateral valuation 1;

(1 A collateral valuation is any real property value estimate, whether automated or produced by a human, used to support the origination and underwriting of a mortgage loan)

2) withholding or threatening to withhold future business from any valuation provider, or demoting or terminating or threatening to demote or terminate any valuation provider 2;

(2 A valuation provider is any entity producing a collateral value estimate as defined in 1)

3) expressly or impliedly promising future business, promotions, or increased compensation to a valuation provider;

4) conditioning the ordering of any collateral valuation or the payment of any fee or salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary estimate requested from a valuation provider;

5) requesting that a valuation provider provide an estimated, predetermined, or desired valuation in an appraisal report, or provide estimated values or comparable sales at any time prior to the completion of a valuation report;

6) providing to a valuation provider an anticipated, estimated, encouraged, or desired value for a subject property or a proposed or target amount to be loaned to the borrower, except that a copy of the sales contract for purchase transactions may be provided;

7) providing to any valuation provider, vendor management company, or any entity or person related to the valuation provider or vendor management company, stock or other financial or non-financial benefits;

8) allowing the removal of a valuation provider from a list of qualified valuation providers used by any entity, without prior written notice, which notice shall include written evidence of the improper conduct, including but not limited to violations of the Uniform Standards of Professional Appraisal Practice (USPAP) or state licensing standards, substandard performance, or otherwise improper or unprofessional behavior as provided herein;

9) ordering, obtaining, using, or paying for a second or subsequent collateral valuation in connection with a mortgage financing transaction unless there is a reasonable basis to believe that the initial collateral valuation was flawed or tainted and such basis is clearly and appropriately noted in the loan file, or unless such collateral valuation is done pursuant to a bona fide pre- or post-funding valuation review or quality control process; or

10) any other act or practice that impairs or attempts to impair a valuation provider's independence, objectivity, or impartiality.

Nothing in this section shall be construed as prohibiting the lender (or any third party acting on behalf of the lender) from requesting that a valuation provider (i) provide additional information or explanation about the basis for a valuation, or (ii) correct objective factual errors in a collateral valuation report.

II. The lender shall ensure that the borrower is provided, free of charge, a copy of any and all collateral valuations concerning the borrower's subject property immediately upon completion, and in any event no less than three days prior to the closing of the loan. The borrower may waive this three-day requirement. The lender may require the borrower to reimburse the lender for the cost of the collateral valuations.

III. The lender or any third-party specifically authorized by the lender to oversee the ordering, management, or review of collateral valuations (including, but not limited to, mortgage brokers, vendor management companies, and correspondent lenders) shall be responsible for retaining copies of all communications, whether ad hoc or automated in nature, between the lender or third party and the valuation provider. In addition, the factors considered when selecting the valuation provider must be documented and retained in the loan file as well.

IV. The lender or any third-party specifically authorized by the lender to oversee the ordering, management, or review of collateral valuations must have in place prudent safeguards to isolate its collateral valuation process from influence or interference from the loan production process.

V. Any employee of the lender or any third-party specifically authorized by the lender to oversee the ordering, management, or review of collateral valuations must be appropriately trained and qualified in the area of real estate collateral valuations.

VI. In underwriting a loan, the lender shall not utilize any collateral valuation prepared by a valuation provider employed or retained by:

- (1) the lender;
- (2) an affiliate of the lender;
- (3) an entity that is owned, in whole or in part, by the lender;
- (4) an entity that owns, in whole or in part, the lender
- (5) a multi-discipline real estate "settlement services provider", as that term is defined in the Real Estate Settlement Procedures Act, 12 U.S.C. § 2601 et seq.;
- (6) an entity that is owned, in whole or in part, by a multi-discipline "settlement services provider".

Notwithstanding these prohibitions, the lender may use in-house valuation providers to order, manage, or review collateral valuations, or to provide collateral valuations in connection with transactions other than mortgage originations (e.g. loan workouts).

VII. The lender will provide to all parties involved in the transaction a notice with the telephone hotline and the email address provided by the IVPI to receive any complaints concerning the improper influencing or attempted improper influencing of valuation providers or the collateral valuation process. Each borrower, as part of a cover letter accompanying the provided collateral valuation, will be notified of the same hotline and email address of the IVPI and their purpose.

Within 72 hours of receiving any direct complaint regarding the collateral valuation or the collateral valuation process from a medium other than the IVPI hotline, the lender shall notify the Independent Valuation Protection Institute and any relevant regulatory bodies of the complaint. The name and any identifying information of the person or entity that has filed such a complaint shall be kept in strictest confidence by the office of the General Counsel, Chief Compliance Officer or other independent officer, except as required by law. The lender shall not retaliate, in any manner or method, against the person or entity which makes such a complaint.

VIII. The lender agrees that it shall quality control test, by use of generally accepted statistical methods, a statistically significant percentage of all collateral valuations used by the lender.

The lender shall report the results of such quality control testing to the Independent Valuation Protection Institute and any relevant regulatory bodies.

IX. Any lender who has a reasonable basis to believe a valuation provider is violating applicable laws, or is otherwise engaging in improper or unethical conduct, shall promptly refer the matter to the Independent Valuation Protection Institute and to any relevant regulatory bodies.

Any collateral valuation provider who has a reasonable basis to believe a lender is violating applicable laws, or is otherwise engaging in improper or unethical conduct, shall promptly refer the matter to the Independent Valuation Protection Institute and to any relevant regulatory bodies.

X. The lender shall certify, warrant and represent that the collateral valuation was obtained in a manner consistent with this Code of Conduct.

XI. Nothing in this Code shall be construed to affect the acceptable scope of work, or applicability of any or all of the provisions of the Uniform Standards of Appraisal Practice (USPAP), as regards a licensed or certified real estate appraiser in connection with a particular assignment, nor shall it be construed to equate any alternative form of collateral valuation with a USPAP compliant appraisal report prepared by a licensed or certified real estate appraiser.