

IVPI Proposal: Questions & Answers (first in a series)

PREMISE: Home Valuation Protection Program March 3, 2008

“WHEREAS, the Attorney General’s investigations **have evidenced bias** in appraisal practices, and therefore **new policies** safeguarding appraisal independence and *bona fide* valuations must be established;

WHEREAS, the Attorney General’s Office and OFHEO believe that this forward-looking agreement will in no way prejudice any of the Attorney General’s ongoing investigations in the mortgage industry or OFHEO’s regulatory mandates **but will provide appropriate and necessary reforms and stability to the market.**”

Question 1: The HVPA PROGRAM establishes “new policies” and “necessary reforms” that include prohibiting GSE acceptance of loans from Independent Mortgage Brokers. Does the IVPI Proposal address this extremely important issue, if so, how?

Answer1: Page 13, “Benefits”, Bullet #3.

• Increase appraisal portability between Consumers, GSEs, Lenders, Independent Mortgage Originators, and other Market Participants.

Thousands of Consumers across the Country benefit substantially by “free market” economies based on competition when Ethical Loan Brokers advocate their customer’s interest. The IVPI Committee disagrees with the HVPA prohibition and recommends a viable alternative.

All GSE appraisals would indicate the Client as “*Any Approved GSE Lender*”. Consumers should have viable options. For example, the Consumer could choose to make a loan application with either a Direct Lender or LO/MB. The Loan Package, including the appraisal ordered through IVPI, would then afford the Consumer access to the best rates, terms, and would allow appraisal portability.

An impenetrable “shield” will be established requiring Lenders and/or LO/MBs to order appraisals through IVPI. All subsequent communication on an order must be in writing from the Client to the Appraiser via IVPI establishing an effective audit trail. Direct communication between Loan Originators and Appraisers would be prohibited.

The IVPI Proposal supports the HVPA tenet prohibiting transmittal of any advance Value Estimate, Loan Amount, or LTV Ratio, except a Sale Contract which is required to be reviewed under the USPAP, if available. The Appraisal File will include specific data on Originator, Property, Borrower, Lender, Appraiser, Appraisal Order, and all subsequent communications including any review.

Question 2: Can the Lender Fee Payment System in the IVPI Proposal be replaced by collection of fees at the door since the borrower gets the appraisal 3 days prior to closing?

Answer 2: Per existing Regulatory Guidelines recommending the Lender SHOULD pay the Fee, the IVPI proposal requires the Lender to pay the Appraisal Fee, and IVPI's processing surcharge, at the time of order. The appraisal fee will be held in escrow and paid immediately via electronic payment to the Appraiser upon IVPI's receipt of the completed report.

Fee Collection directly from the Consumer at the time of inspection often creates numerous difficulties. For example, what if the check bounces or a stop payment order is placed on it before it clears the checking system? This results in significant delays and expense to the Appraiser going through a collection process.

NOTE: once an appraisal is ordered it will be completed unless the Appraiser is denied access to the property. If denied access to the property appropriate charges will apply. Once the Appraiser has inspected the property there will be no cancellations of the order, the appraisal report will be completed and the Appraiser paid.

Question 3: If I understand the Proposal correctly, ALL Appraisal orders on loans which will be sold to the GSEs MUST be ordered by Lenders through the IVPI Portal. I've spent 20 years developing working relationships with 10-30 Ethical Mortgage Brokers and Direct Lenders based on superior expertise, quality, and service. It appears that, under the Proposal, all my hard work will have been for naught and my current client base disintegrates. I will be forced to compete with every single Appraiser regardless of qualifications, license level, and experience???? How is it possible that this has NOT been considered in the Proposal?

Answer 3: On the contrary, your concerns were most assuredly considered and addressed. The Agreement between the AG Office and the GSEs terminates the ability of Mortgage Brokers to directly order an appraisal. The Agreement further states that only Direct Lenders can order an appraisal.

The IVPI Fee Appraisal Panel affords ALL Appraisers that meet the requirements on page 10 section 2 of the Proposal. the opportunity to apply for Membership, but not all will meet the Panel's on-going Review Criteria. This creates a level playing field where quality, competency, and service are the prerequisites instead of low cost and speed.

IVPI's Open Panel of qualified Appraisers requirements:

1. All Certified and/or Licensed Appraisers in good standing are encouraged to apply for panel membership.
2. Disciplinary action within the past three (3) years will require a formal review.
3. Successful completion of IVPI online GSEs Standards Course and Updates.
4. Maintain adherence to the Home Valuation Code of Conduct.
5. Maintain compliance with the USPAP and respective and applicable State Appraisal Laws.

Membership will afford ALL Independent Fee Panel Appraisers the opportunity to service the appraisal needs of thousands of Lenders and Mortgage Originators. Additionally, IVPI's Tiered Review and Compliance Program offers experienced Appraisers opportunities for County, State, and Regional Staff Review or independent Field Review.

Question 4: I successfully built my appraisal practice from a solo office into an Appraiser Fee Shop during the past 30 years. The IVPI proposal requiring Individual Appraiser approval appears to present a major problem for my customers and Appraisers, and me.

While no specifics were included in the Concept Proposal, my consideration of the IVPI proposal MUST be based on the answer to the following Core Question:

Does the IVPI proposed appraisal ordering system allow for Company Assignments to be assigned to Staff or IC Appraisers by the Owner or not? I am very confused and at this point find the absence of specifics on this element reason enough NOT to endorse the IVPI Proposal. I invite the Committee to change my thinking. Thanks.

Answer 4: Under the IVPI Proposal all qualified Appraisers are urged to apply for Panel Membership. The appraisal ordering process will allow for coordination of assignments and billing to companies or individual Appraisers; an approved Panel Members must inspect the interior/exterior of the subject and exterior of the comparable sales.

Only an IVPI approved Appraiser can perform the appraisal; the only exception being a Trainee or equivalent, working under the IVPI Appraiser's direct personal supervision. Unapproved Appraisers cannot inspect the subject property and/or sales independently.

Question 5: Exactly how will the Review function of IVPI be handled and by whom? In my opinion, the “Due Process” noted in the proposal needs to be changed completely. IVPI cannot hold the power of blacklisting.

Answer 5: The Concept Proposal outlines a series of checks and balances that would be implemented to prevent the type of “blacklisting” that currently goes on.

Mandated by the HVPA Agreement, the IVPI is tasked with establishing “Complaint Hotlines” for Consumers and Appraisers. The Agreement also requires Lenders to refer SARS (suspicious appraisal reports) to both the IVPI and State Appraisal Boards. Quality control Reviews and Complaint Reviews will be subjected to IVPI’s Tiered Review Process:

Desk or Field Reviews will be performed at the Local level by Qualified Review Panel Member or IPVI Staff Reviewer. The Review results will be monitored by State and/or Regional IVPI Reviewers. Should complaints be unfounded, mediation and resolution will be attempted by IVPI Senior Review Staff. Results of the first and second reviews if warranted are sent to the Chief Review Appraiser.

If there are serious issues then a meeting with the IVPI State Review Panel and the Appraiser will ensue. Sufficient notice and copies of all reviews will be provided to the Appraiser. If the results of this meeting indicate documented support of violations, then the case is referred to the State Appraisal Board for determination. During that period the Appraiser’s IVPI active status is suspended until resolution by the State.

The IVPI will do everything within its ability to have issues resolved as quickly as possible at the Local and State Review Level. Just as every Client reserves the right to continue OR discontinue business relationships with Appraisers, so will the IVPI. Under the current system employed by most Lenders/AMCs, the Appraiser might never know why they were “blacklisted” and lack the opportunity to address Client or Consumer concerns.

It is the Committees conclusion that all Ethical, Competent, Appraisers affiliated with IVPI must not be forced to compete with Incompetent and Unethical Appraisers who have been rewarded under the current “status quo” and will be if ONLY minor, cosmetic changes are made under the HVPA.

As stated in the HVPA, significant changes must be made, new policies must be established, and reforms must be implemented. Transparency and reporting of IVPI review and compliance activates is essential.