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## OVERVIEW

Franklin American Mortgage requires all appraisals to be AIR compliant. Correspondent lenders are reminded they must ensure their processes for ordering appraisals meet all applicable compliance requirements.

To validate compliance, FAMC may, from time to time, as part of our standard sampling, post purchase quality assurance reviews, require correspondent lenders to provide their internal policies, and procedures regarding appraisal ordering and management.

## ECOA – VALUATIONS RULE

The Consumer Financial Protection Bureau (CFPB) issued a final rule amending the Equal Credit Opportunity Act (ECOA), specifically related to borrower's right to receive copies of appraisals and/or written valuations. The "Valuation Rule" applies to all applications taken on or after January 18, 2014, and to all first liens on dwellings regardless of the applicant waiving their right to receive an appraisal.

## DELIVERY OF VALUATIONS

Copies of all appraisals and/or written valuations used in connection with the estimation of the value of the property must be provided to the applicant promptly upon completion or three business days prior to closing, whichever is earlier, including attachments and exhibits. No fees may be charged with the making of copies or for the delivery; only a reasonable fee in preparing the appraisals and valuations may be charged. In the instance where the loan is not closing, a copy of the appraisal and written valuations must still be provided to the applicant promptly upon completion.

## Required Disclosures

All loans delivered to FAMC for purchase must adhere to Appraiser Independence Requirements (AIR) disclosure guidelines. The following is required in order to satisfy those requirements:

- Loan Estimate (LE) including the Appraisal statement in the Other Considerations table.
  - *We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.*
  - This statement is required to be disclosed on the LE on all loans covered by the Equal Credit Opportunity Act (ECOA).
- To satisfy the evidence requirement of Regulation B, documentation should be maintained in the closed loan file to show that all appraisals or valuations used in connection with the loan application were delivered to the borrower at least three days prior to the loan closing, or that the borrower waived the three-day timing requirement. If the borrower waives the review period, it must be evidenced they did so a minimum of three days before the loan closed. Use of the [Appraisal Valuation Acknowledgement](#) or the [Borrower Appraisal Disclosure](#) (if applicable) is encouraged.

## GUIDANCE ON AIR DISCLOSURE AND TIMING

- Obtaining written waivers as a matter of course is not an acceptable practice and is contrary to the spirit of the Appraiser Independence Requirements, which is to allow the borrower ample time to review the appraisal report.
- An upfront Borrower Appraisal Disclosure that includes “blanket” waiver verbiage and does not allow the borrower the opportunity to select whether or not to waive their right is not an acceptable practice. The Borrower Appraisal Disclosure should be provided at the time of application or with the initial disclosures. The Borrower Appraisal Disclosure informs the borrower of the steps they must take if they choose to exercise their three (3) business day review period.
- Borrower(s) 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 the appraisal has not yet been ordered.
- Appraiser independence requires the borrower(s) receive a copy of their appraisal at least three (3) business days prior to closing, without having to make a written or verbal request, unless they have previously elected to waive their right to the appraisal. Borrowers must not be required to request, either verbally or in writing, a copy of the appraisal.
- If the borrower(s) elects to waive their right to receive a copy of the appraisal, this 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(s) at least three (3) 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.