

**1. What loans are affected by the Home Valuation Code of Conduct?**

Freddie Mac has adopted the Home Valuation Code of Conduct (Code) for all conventional, single-family loans originated on or after May 1, 2009, that are delivered to Freddie Mac. The Code does not apply to multifamily loans, or to loans insured or guaranteed by a federal agency; the Code only applies to 1- to 4-unit single-family loans sold to Freddie Mac.

**2. Does the Code apply to non-origination valuation activities such as appraisals performed for loss mitigation activities?**

No. The Code only applies to the loan origination process. It does not apply to a lender's foreclosure/REO process, workouts, or any other type of loss mitigation activity.

**3. What does it mean to adopt the Code?**

Lenders must represent and warrant that as of May 1, 2009, they have in place the structure, policies, and procedures required to comply with the Code and that appraisals used for mortgages with application dates on or after May 1, 2009, were obtained in a manner consistent with the Code.

**4. Does the Code apply to loans that are insured or guaranteed by a federal agency and are ultimately sold to Freddie Mac (i.e., FHA or VA loans)?**

The Code does not apply to loans that are insured or guaranteed by a federal agency, such as FHA or VA loans.

**5. Does the Code apply to Freddie Mac purchases of private-label securities backed by mortgage loans that do not meet the requirements of the Code?**

No. The Code only applies to 1- to 4-unit single-family loans sold to Freddie Mac by mortgage originators; it does not extend to Freddie Mac's investments in mortgage-related securities.

**6. How will you handle issues and concerns raised by customers as the Code is implemented?**

Freddie Mac will work with our customers to address any issues or concerns regarding implementation of the Code. We will maintain ongoing contact through our various communications channels including newsletter articles and Web content. If customers have immediate questions, they should contact their Freddie Mac account representative, 800 – FREDDIE, or e-mail us using our [Home Valuation Code of Conduct Inquiry Form](#).

**7. Does Freddie Mac require that Form 2070 be compliant with the Code?**

Form 2070, *Loan Prospector Condition and Marketability Report*, is an inspection report that is used with an automated valuation model. Although our *Single-Family Seller/Service Guide* (Guide) discusses Form 2070, Freddie Mac no longer allows the use of Form 2070.

**8. Does the Code apply to other valuation methods (i.e., automated valuation models, broker price opinions, tax assessments, etc.)?**

No. The Code applies only to appraisals.

**9. Does the Code address standards the appraiser must follow when performing an appraisal?**

No. The Code addresses the relationship between the lender and the appraiser, not appraisal standards. For more guidance on our appraisal requirements, lenders should review Guide Chapter 44 and Guide Bulletin 2009-18 issued on July 10, 2009.

**10. Is appraiser communication with the loan production staff acceptable when the appraiser cannot gain access to a property or locate an address?**

Communication between the loan production staff and the appraiser for issues of this nature are permissible under the Code. Conversations that relate to or have an impact on valuation, however, are not permitted under the Code.

**11. Does the Code change any of Freddie Mac's requirements regarding the role of the appraiser?**

No. Freddie Mac's Guide requirements for appraisers remain the same. We require the appraiser to provide complete and accurate reports; to report neighborhood and property conditions in factual and specific terms; to be impartial and specific in describing favorable or unfavorable factors; and to avoid the use of subjective, racial, or stereotypical terms, phrases, or comments in the appraisal report. The opinion of market value must represent the appraiser's professional conclusion, based on market data, logical analysis, and judgment.

Additionally, it is important to note that when an appraiser signs Freddie Mac's residential appraisal report form, the appraiser is also certifying the following:

- "I have knowledge and experience in appraising this type of property in this market area."
- "I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment

records, public land records, and other such data sources for the area in which the property is located.” Selection of Appraisers, Ordering Appraisal

## Selection of Appraisers

### **12. What does it mean to be appropriately trained and qualified in the area of real estate appraisals?**

Each lender must determine what constitutes adequate training and qualifications. At a minimum, the trained and qualified individual must understand the Code, appraisal regulations and enforcement, and the Uniform Standards of Professional Appraisal Practice.

### **13. Are lenders permitted to use appraisals completed by appraisers who have been selected or retained by a mortgage broker or real estate agent?**

No. The Code specifically prohibits lenders from accepting appraisal reports completed by an appraiser selected, retained or compensated in any manner by mortgage brokers or real estate agents. Please refer to Section III.A of the Code for further information regarding who is authorized to select and retain appraisers.

### **14. Can trainee appraisers still complete appraisals?**

Trainees can continue to perform appraisal work. The supervisory appraiser who signs the report must meet the licensing/certification requirements.

### **15. How do lenders determine the correct process for selecting an appraiser?**

Lenders must comply with the following requirements related to the selection of an appraiser:

- a. Sellers must select appraisers in compliance with the terms of the Code.
- b. Appraisers must be certified or licensed in the state in which the property is located, and must be eligible to perform appraisals in that state.
- c. Appraisers must be familiar with the local market in which the property is located, must be competent to appraise the subject property type, and must have access to the data sources needed to develop a credible appraisal.

For additional information about appraisers and appraisal requirements, please refer to Freddie Mac’s Guide Bulletin 2009-18 issued on July 10, 2009.

### **16. What are the professional requirements for an appraiser under the Code?**

The Code requires an appraiser to be licensed or certified by the state in which the property to be appraised is located.

**17. Does the Code require lenders to select appraisers on a rotating basis?**

No. Lenders may choose to use a rotating roster of appraisers, but this is not a requirement of the Code.

**18. When selecting an appraiser, may lenders use a pre-approved appraiser list or panel?**

Yes. Lenders may use a pre-approved list or panel to select an appraiser, provided that (1) any employees of the lender tasked with selecting appraisers for the list are independent of the loan production staff; and (2) the loan production staff is not involved in selecting appraisers from the list for particular appraisal assignments.

**19. May a mortgage broker provide the lender with an approved appraiser list for the lender to use when ordering appraisals for that particular lender?**

No. A mortgage broker may not provide lenders with an approved appraiser list for their use.

**20. May a person on a lender's staff who is not part of the loan production staff and does not receive a bonus or commission based on loan closings provide an appraisal management company (AMC) a list or panel of appraisers to use for loans involving a specified mortgage broker, real estate agent or loan officer?**

No person may provide an AMC a list or panel of appraisers to be used for loans involving a specified mortgage broker, real estate agent, or loan officer. The Code specifically prohibits lenders from accepting appraisal reports completed by an appraiser selected, retained or compensated in any manner by mortgage brokers and real estate agents. Mortgage brokers and real estate agents must not be involved in the selection of appraisers for an approved panel or specific assignments under any circumstances. Please refer to Section III.A of the Code for further information regarding who is authorized to select and retain appraisers.

**21. Are lenders and AMCs required to reselect legacy appraisal panels if the loan production staff recommended or influenced the selection of appraisers on the panel prior to the effective date of the Code?**

No. The Code does not require lenders or AMCs to reselect appraiser panels; however, any legacy appraisal panel must comply with the provisions of the Code.

## In-House Appraisers

### **22. Are lenders permitted to use in-house appraisers to obtain appraisals?**

Yes. Lenders are permitted to use in-house appraisers to obtain and prepare appraisal reports if the lender is in compliance with Section IV.B of the Code.

### **23. May a correspondent lender use in-house appraisers?**

Yes. A correspondent lender may use in-house appraisers if the lender follows the criteria in Section IV.B of the Code.

## Appraisal Management Companies

### **24. Does the Code require appraisals to be ordered through an AMC?**

No. The Code does not require appraisals to be ordered through an AMC. A lender may order appraisals directly from an individual appraiser.

### **25. Are lenders allowed to use appraisals ordered by AMCs that provide other settlement services for the same transaction?**

Yes. Lenders may use AMCs that provide other settlement services to obtain appraisals as long as the AMC is in compliance with the requirements of Section IV.C. of the Code.

### **26. Can brokers select a specific AMC if the lender works with more than one AMC?**

No. If the lender works with more than one AMC, the lender must select the AMC. The mortgage broker cannot select from a list of approved AMCs.

## Mortgage Brokers

### **27. Can a broker initiate an appraisal request through a lender's designated AMC?**

Yes. This process is permissible provided all of the following criteria are met:

- a. The AMC is specifically authorized by the lender to act on its behalf and the AMC is not acting on behalf of the mortgage broker.
- b. The AMC selects, retains, and provides for payment of all compensation to the appraiser on the lender's behalf.
- c. The appraiser's client is the lender and the appraiser correctly identifies the lender as the lender/client on the appraisal report.

- d. The lender has policies and procedures in place that comply with the Code.
  - e. The lender ensures that the AMC has policies and procedures in place that comply with the Code.
- 28. May a lender direct a broker to use a Web portal set up either by the lender, or by the lender's authorized agent, through which the broker inputs a request for an appraisal and then triggers the lender's system to order an appraisal?**

Yes. A lender may direct a broker to use a Web portal in this manner.

- 29. Does the Code permit a broker to select an appraiser from the lender's list of approved appraisers if the lender is responsible for the relationship with the appraiser, including compensation?**

No. The Code prohibits lenders from relying on an appraisal if the broker had a role in selecting, retaining, or compensating the appraiser.

#### Ordering Appraisals

- 30. What does it mean to "order" an appraisal?**

Ordering an appraisal means engaging the appraiser's services to perform an appraisal of a specific property. The party that orders an appraisal is the party that the appraiser identifies in the lender/client field on the appraisal report.

- 31. May an AMC affiliated with, or that owns or is owned in whole or in part by the lender or a lender-affiliate, order appraisals?**

Yes. An AMC affiliated with, or that owns or is owned in whole or in part by the lender or a lender-affiliate, may order appraisals if the AMC meets the criteria of Section IV.B. of the Code.

- 32. Does the Code's definition of loan production staff include underwriters and processors?**

No. The Code does not specifically define the term "loan production staff." However, Freddie Mac uses the definition of loan production staff from the FAQs prepared by federal agencies for their appraisal regulations. Those regulations define loan production staff as those responsible for generating loan volume or approving loans, as well as their subordinates. This would include an employee whose compensation is based on loan volume or the closing of a loan transaction. Employees responsible for the credit administration function or credit risk management are not considered loan production staff.

33. **Are processors, closers, secondary-marketing employees, underwriters, etc., permitted to order appraisals if they do not receive commission or incentives to close loans, but report up to a senior level employee who is responsible for loan production?**

The Code states that members of the lender's loan production staff who are compensated on a commission basis or who report to any officer of the lender not independent of the loan production staff and process are not permitted to order appraisals or influence the selection of appraisers. Lenders should establish complete separation of appraisal activities from loan production activities. At an absolute minimum, the degree of separation should be no less than one level up in the reporting structure. To mitigate any potential conflict of interest due to reporting relationships, Sellers should establish, maintain, and enforce written policies and procedures that are designed to reinforce independence. (If absolute lines of independence cannot be achieved as a result of the lender's small size and limited staff, the lender must be able to clearly demonstrate that it has prudent safeguards to isolate its collateral evaluation process from influence or interference from its loan production process.)

34. **Can noncommissioned employees who order appraisals report to the same person as the loan production staff?**

No. Section III(B) of the Code prohibits any person who reports to an individual connected to the loan production staff from ordering an appraisal.

35. **Does the Code require an appraisal if the lender was previously not required to complete one or if Freddie Mac does not require an appraisal valuation? (For example, if the value has not declined since the original appraisal was completed on a Freddie Mac-owned Streamlined Refinance Mortgage.)**

No. Code Section IX states that it shall not be construed to establish new requirements or obligations that require the lender to obtain a property valuation, or use any particular method for property valuation (such as an appraisal or AVM).

36. **Does the Code prohibit the appraiser from communicating with real estate agents or third parties acting on behalf of the lender involved in the subject transaction?**

No. The Code does not prohibit the appraiser from speaking with real estate agents or third parties acting on behalf of the lender. Information provided by real estate agents or any third party acting on behalf of the lender must be independently verified by the appraiser. An appraiser must certify that information received from anyone with a financial interest in the sale or financing of the subject property was verified by a disinterested party (see Appraiser's Certification #10 on Freddie Mac Form 70, *Uniform Residential Appraisal*

*Report*). It is not a requirement that the disinterested third party be another appraiser. Disinterested third-party sources may include, but are not limited to: public records, multiple listing services and other real estate agents that do not have an interest in the subject transaction.

## Portability of Appraisals

- 37. A mortgage broker submits a loan to Lender A, who orders an appraisal. The broker later decides to submit the loan to Lender B because Lender B offers better terms, or for another reason. Assuming the mortgage broker has no control over, or involvement in the appraisal assignment, may the appraisal obtained by Lender A be used by Lender B?**

Yes. A lender may accept an appraisal from a different lender if that appraisal complies with the requirements of the Code, specifically Section III.A. In this scenario, since Lender A is the original lender, Lender A must be named as the client on the appraisal report.

- 38. Can lenders accept appraisals transferred from another lender?**

A lender may accept an appraisal from a different lender if both of the following criteria are met:

- The lender receiving the transferred appraisal obtains written assurances that the original lender has adopted and complied with the Code in connection with the loan being originated, and
- The lender receiving the transferred appraisal determines that the appraisal conforms to its own requirements and is otherwise acceptable.

A lender may also accept an appraisal from an AMC specifically authorized by the original lender to act on its behalf if the lender receiving the transferred appraisal obtains written assurances from the original lender that the appraisal was obtained in a manner consistent with the Code.

- 39. May an appraiser update an appraisal for another lender?**

Yes. The Code does not prevent an appraiser from performing an update of an appraisal for another lender.

- 40. Section III.A of the Code allows a lender to accept an appraisal prepared by an appraiser for a different lender, provided the lender: (1) obtains written assurances that such other lender follows the Code in connection with the loan being originated; and (2) determines that such appraisal conforms to the lender's requirements for appraisals and is otherwise acceptable. Will Freddie Mac provide a standard form to the lender so that the written assurance can be documented?**

No. Freddie Mac will not provide a standard form. The lender is responsible for documenting the written assurance from the other lender.

**41. Can an AMC or a third-party designee provide the written assurance or does the assurance have to come from the original lender?**

The written assurance must come from the original lender.

**42. What documentation is required during an appraisal transfer to demonstrate that the lender transferring the appraisal is complying with the Code?**

Each lender must develop its own documentation requirements to ensure compliance with the Code, based on its business model and processes.

**43. Lender B originates a loan using an appraisal transferred from Lender A who provided Lender B with written assurances that the appraisal was obtained in a manner consistent with the Code. Will Freddie Mac hold Lender B liable for remedies if it is discovered after the transfer that Lender A committed a Code violation?**

All Freddie Mac-approved Seller/Servicers must represent and warrant they have in place the structure, policies, and procedures required to comply with the Code and that appraisals for mortgages with application dates on or after May 1, 2009, were obtained in a manner consistent with the Code. In the situation described above:

- If Lender A is a Freddie Mac-approved Seller/Servicer, Freddie Mac will hold Lender A responsible for ensuring its processes are in compliance with the Code.
- Freddie Mac will hold Lender B responsible if it did not take appropriate precautions to detect violations of the Code committed by Lender A. For example, Lender B should check to make sure that a mortgage broker or real estate agent is not listed as the lender/client on the appraisal report.

If Lender A is not a Freddie Mac-approved Seller/Servicer, Freddie Mac will hold Lender B fully responsible for any Code violations.

## Second Appraisals

### **44. Is a second appraisal or AVM permitted in a lender's foreclosure/REO processes?**

Yes. A second appraisal or AVM is permitted as the Code does not apply to the lender's foreclosure/REO process. The Code applies to all conventional mortgages that are sold to Freddie Mac regardless of the transaction type and only applies to new mortgage originations if the new mortgage that finances the purchase of the REO is sold to Freddie Mac.

### **45. Are lenders permitted to order a second appraisal or AVM on high-value or unique properties to ensure the most accurate value is obtained?**

Yes. As long as such appraisal or AVM is done pursuant to:

- Written, pre-established bona fide pre- or post-funding appraisal review or quality control processes or underwriting guidelines.
- Lender adherence to a policy of selecting the most reliable appraisal as stated in Section I.B(9) of the Code.

### **46. Does the Code specifically prohibit a lender from ordering a second appraisal?**

No. Section I.B(9) only prohibits a lender from ordering a second appraisal if the lender is attempting to influence the outcome of the first appraisal or for the purpose of value shopping. For risk mitigation of certain loan products, it may be a common practice for a lender to order more than one appraisal, and the Code does not prohibit that practice.

### **47. Does the Code prohibit appraisers from reviewing reconsideration of value requests?**

No. Reconsideration of value requests that are based on correcting factual errors (such as incorrect square footage, incorrect number of rooms, etc.) are permissible under the Code.

## Payment for Appraisals

### **48. Who may directly pay an appraiser for appraisal services?**

Only the lender or a third party specifically authorized by the lender (including but not limited to, appraisal companies, AMCs, and correspondent lenders) may directly pay an appraiser for appraisal services.

Lenders may charge the broker or the borrower for the appraisal fee. An AMC may accept the appraisal fee from the broker or the borrower, provided:

- a. The AMC is specifically authorized by the lender to act on its behalf,
- b. The AMC accepts the borrower/broker's payment on behalf of the lender and not on behalf of the appraiser,
- c. The AMC selects, retains, and provides for payment of all compensation to the appraiser on the lender's behalf (not the borrower's behalf),
- d. The appraiser's client is the lender and the appraiser correctly identifies the lender as the lender/client on the appraisal report,
- e. The lender has policies and procedures in place that comply with the Code, and
- f. The lender ensures that the AMC has policies and procedures in place that comply with the Code.

**49. Does the Code allow an appraiser to collect payment for the appraisal directly from the borrower?**

No. The Code requires the lender or any third party specifically authorized by the lender to select, retain, and provide for all compensation to the appraiser.

**50. Are borrowers precluded from directly paying a mortgage broker, lender or AMC for an appraisal?**

No. The Code does not prohibit a borrower from directly paying a mortgage broker, a lender or AMC for an appraisal. However, the Code does not allow the borrower to directly pay the appraiser for an appraisal.

**51. Does Section II of the Code require lenders to provide appraisals free of charge?**

No. The Code requires lenders to provide a free copy of any appraisal report completed in association with the specific loan. Lenders may require the borrower to reimburse them for the cost of the appraisal.

## Appraisal Report Copies

- 52. The Code requires that lenders provide the borrower with a copy of the appraisal report at least three business days prior to the closing of the loan unless the borrower waives this requirement. Is Saturday included as a business day?**

Yes. For this requirement, we consider Monday through Saturday business days. Sundays and legal holidays are not considered business days. The lender must provide the copy promptly upon completion of the appraisal, no less than three **business** days prior to closing. The lender may use any means to provide the copy including, but not limited to, mail, e-mail (electronic message), overnight delivery as long as the borrower receives the copy no less than three business days prior to closing.

- 53. Is “closing” of the loan defined as the date the documents are executed or the date the funds are disbursed?**

For this requirement, we define "closing" as the date the borrower executes the loan documents.

- 54. What are the Code requirements for the borrower’s receipt of the appraisal?**

The Code requires that a borrower be provided a copy of the appraisal no less than three business days prior to the closing of the loan. The Code does allow the borrower to waive this three-day requirement.

- 55. A borrower must be provided with a copy of the appraisal at least three days prior to closing unless the borrower signs a waiver stating that they do not wish to receive a copy of the appraisal. When do borrowers need to waive this requirement; can it be at loan closing?**

No. The Code requires that lenders to provide the borrower with a copy of the appraisal at least three days prior to the loan closing unless the borrower waives the requirement. Although the Code does not explicitly require that the borrower waive this requirement three days prior to the closing, waiting until closing to have the borrower waive this requirement is not deemed to be consistent with the intent of the Code and is not permissible.

**56. Can a loan closing proceed where the lender in good faith and according to their policies and procedures sent a copy of the appraisal to the borrower in accordance with the three day requirement, but the borrower did not receive the copy of the appraisal prior to the scheduled closing?**

In those rare instances where the lender followed its policies and procedures but the borrower did not receive the appraisal three days prior to closing, the loan may close without delay if the borrower waives the three-day requirement and is provided a copy of the appraisal on the day of closing. While the Code does not specifically require written documentation of the borrower's waiver or receipt of the appraisal three days prior to closing, we advise lenders to have policies and procedures in place so they can document the borrower's receipt of the appraisal or the waiver should questions arise.

**57. How do we document the delivery of the appraisal or the waiver?**

The Code does not require a specific method for documenting either the borrower's receipt of the appraisal or a waiver. We advise lenders to develop their own policies and procedures to document the borrower's receipt of the appraisal or the waiver. Documentation should be in writing (e.g., notes regarding a borrower's phone call, borrower's execution of a form, etc.). The Code does not specify that the waiver must be in writing nor does it prohibit a waiver, given in a timely manner, be recorded at some later point when the parties are available. A lender may obtain a waiver through a phone call, e-mail or other means prior to the three-day period which is then recorded in writing at the settlement table or some other time.

**58. When does the three-day period begin?**

The three-day period begins on the day of the receipt of the appraisal. For example, in a non-waiver situation, where a borrower received an appraisal on Monday, the closing could be held on Wednesday. Saturday is included for purposes of counting the three-day period. Sundays and legal holidays are not included for counting the three-day period.

**59. Does the three-day right of rescission in a refinance transaction constitute a valid three-day waiver period for receipt of the appraisal under the Code?**

No. The rescission period in a refinance transaction does not constitute a valid three-day period.

**60. Is it acceptable for a lender to provide brokers and loan production staff a copy of the completed appraisal?**

The Code does not specify when or to whom a copy of the appraisal can be provided. The Code states that borrowers must receive a copy of the appraisal a minimum of three business days prior to closing unless they waive the three-day requirement.

**61. Can an appraiser's information be omitted from the appraisal report prior to sending it to the borrower?**

No. A complete, unaltered copy of the appraisal report must be provided to the borrower.

**62. If two appraisals are obtained as part of the underwriting process, does a lender have to provide copies of both appraisal reports to the borrower or only a copy of the appraisal used to determine value?**

Section II of the Code requires that the borrower be provided with a copy of "any" appraisal report; therefore, copies of all appraisal reports obtained must be provided to the borrower.

**63. Can a lender create a form to document the borrower's waiver of the right to receive a copy of the appraisal report at least three days prior to the closing?**

Yes. A lender may choose to create a form to document the borrower's waiver. The borrower must acknowledge agreement of the waiver, but the lender can determine the method of agreement.

**64. Please clarify the requirement that a completed appraisal report be provided promptly upon completion?**

The terms "promptly upon completion" and "completed appraisal" refer to when the lender has reviewed and accepted the appraisal to include any changes or corrections required.

**65. If I am permitted to use an AVM such as Home Value Explorer® to estimate property value, am I required to meet the Code requirements in Section II and provide the borrower with a copy of the AVM result three days before closing?**

No. The Code does not require lenders to provide borrowers a copy of an AVM result.

## Appraisal Reviews

**66. If a lender finds an error or problem with an appraisal, is the lender allowed to contact the appraiser to correct the error?**

Yes. Nothing prohibits the lender from requesting that an appraiser (i) provide additional information or explanation about the basis for valuation or (ii) correct factual errors in an appraisal report as outlined in Section I.C. of the Code. Anyone on the lender's staff or an authorized third party of the lender may discuss factual errors in the appraisal report with the appraiser.

**67. Is a lender's in-house appraiser permitted to adjust the value on an appraisal during an appraisal review as part of a pre-funding or post-funding quality control process?**

Yes. A lender may use an appraisal that has been adjusted by an in-house appraiser during a review process. The Code does not prohibit the underwriting of an appraisal by a lender's underwriting staff nor does it prohibit a lender's due diligence in originating a loan.

**68. Does the Code prohibit the use of foreclosures as comparable sales?**

No. The Code does not address the use of foreclosures as comparable sales. Freddie Mac does not require appraisers to use Real Estate Owned (REO), foreclosures, or short sales as comparables sales. However, if the appraiser determines that REOs, foreclosures, or short sales are representative of the properties available to typical purchasers for the market in which the property is located, appraisers must consider their use. For more guidance on appraisal requirements, please review Guide Chapter 44 and Guide Bulletin 2009-18 issued on July 10, 2009.

**69. Does the Code require or prohibit the use of foreclosure data by appraisers?**

No. The Code does not address foreclosure data. It is up to the appraiser to determine if the foreclosure data is applicable and appropriate or not.

## Quality Control

**70. Would Freddie's Mac's in-house quality control requirements outlined in Guide Chapter 48 be sufficient to meet the Code's quality control requirements?**

Yes. Our Guide Chapter 48 quality control requirements will satisfy the Code's quality control requirements.

**71. How is a “statistically significant percentage” in Section VI defined?**

The Code requires a random sampling of either 10 percent of all appraisals or valuations that are used by the lender, or another bona fide statistically significant percentage. The sample is considered a bona fide statistically significant sample if the sample is representative of the population, and inferences and conclusions made from the sample can be extended to the population as a whole.

**72. Is a quality control review required for all valuation methods included in the mortgage file (i.e., full appraisal, AVM, desk review, field review)?**

Yes. The quality control review must be performed on the valuation method that was used for determining the loan-to-value ratio for the transaction.

Compliance

**73. Is a loan eligible for sale to Freddie Mac if the lender purchased the loan from a correspondent that did not comply with the Code in originating that loan?**

No. It is the lender’s responsibility to ensure that all loans it purchases with intent to deliver to Freddie Mac are in full compliance with the Code. As of May 1, 2009, Freddie Mac no longer purchases mortgages from Sellers that have not adopted the Code with respect to single-family mortgages that are delivered to Freddie Mac. Also, for single-family mortgages with loan application dates on or after May 1, 2009, Freddie Mac Seller/Serviceicers must represent and warrant that the appraisal report is obtained in a manner consistent with the Code. See also Section III.A. of the Code.

**74. What does the Code require a lender to do if a lender has reason to believe that an appraiser or AMC is violating the law or practicing unethical conduct?**

As outlined in Section VII of the Code, the lender must promptly refer the matter to the applicable state appraiser certifying and licensing agency.

**75. How does Section I.B.(8) impact how lenders may remove appraisers from a list of qualified appraisers?**

Section I.B.(8) addresses the removal of an appraiser from a list of qualified appraisers in connection with influencing or attempting to influence the outcome of an appraisal. Any such removal would be subject to the requirements of the process outlined in this section. Section I.B.(8) does not preclude the management of appraiser lists for bona fide administrative reasons based on written, management-approved policies. Also, Section IV.B.(6) requires lenders to have written policies and procedures implementing the Code including rules on

appraiser independence, and to have mechanisms in place to report and discipline anyone who violates these policies and procedures.

**76. Does the Code require a lender to report appraisers believed to be violating the law or practicing unethical behavior to the applicable state certifying and licensing agency?**

Yes. If a lender has reason to believe an appraiser is violating applicable laws or otherwise engaging in unethical conduct, they should promptly refer the matter to the applicable board or agency.

**77. What are the penalties for violations of the Code?**

As discussed in Section VIII of the Code, Freddie Mac will treat breaches of the Code the same as any other breach of a Seller's representations and warranties. This could include suspension or termination of the lender's eligibility to sell loans to Freddie Mac if the lender fails to remediate violations.

**78. How will Freddie Mac ensure that a lender is in compliance with the Code?**

Compliance with the Code will be part of the lenders' operational review.

**Small Institution Exemption**

**79. My institution is already required to comply with federal regulations regarding appraisals. Does this exempt my institution from the Code?**

No. All Freddie Mac Sellers must comply with the Code, which has been added as an exhibit to the Guide.

**80. Section IV.E of the Code allows an exemption to Section IV if the lender meets the definition of "small bank" and Freddie Mac determines the lender would suffer a hardship due to the provisions provided in Section IV of the Code. What are the requirements for this provision?**

An institution falls under the provisions of Section IV.E of the Code if it is a regulated financial institution with aggregate assets of not more than \$250 million, as specified in 12 U.S.C. §2908, and meets the requirements, if any, of the institution's regulatory agency regarding the Interagency Appraisal and Evaluation Guidelines (SR Letter 94-55 and revisions). As with the entire Code, this provision is subject to Freddie Mac's representations and warranties. Sellers falling under Section IV.E are still required to comply with the remainder of the Code, including Section III, which duplicates many of the requirements of Section IV. Please note that the asset value as specified in 12 U.S.C. §2908 is updated periodically and you must continue to meet the statute requirements with regard to the Code when the value is updated.

**81. Is a lender required to submit documentation to Freddie Mac to take a Section IV.E small bank exemption?**

No. Freddie Mac does not require a lender to submit documentation to become exempt pursuant to Section IV.E of the Code. A lender claiming this exemption, however, represents and warrants that it meets the criteria of Section IV.E.

**Independent Valuation Protection Institute**

**82. When will the Independent Valuation Protection Institute be established?**

We are working with the New York State Attorney General, FHFA, and Fannie Mae regarding establishment of the Institute. Because the Institute has not yet been established, the provisions regarding it in the Code are not yet effective.