



## **Appraiser Independence/Appraiser Independence Laws/FHA Appraisal Guidelines/Interagency Evaluation/Appraisal Guidelines/Dodd-Frank Act**

Effective Date: 5/1/2009

Revision Date: 12/08/2010

Valuation Management Group, LLC (VMG) is in compliance with all state appraisal laws, appraiser independence laws, FHA appraisal guidelines, Interagency Evaluation/Appraisal Guidelines, and the interim final rule of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). VMG will not be influenced or influence any appraiser's value.

Every VMG employee must read, understand and comply with Appraiser Independence, Appraiser's Independence Laws, FHA appraisal guidelines, Interagency Evaluation/Appraisal guidelines and Dodd-Frank Act. If compliance is not adhered to, disciplinary action and/or termination will occur.

### **NOTIFICATION TO APPRAISERS**

All residential reports submitted to the client will receive a Certification of Compliance that VMG has complied with the Appraiser Independence, Appraiser's Independence laws, FHA appraisal guidelines and Interagency Evaluation/Appraisal guidelines.

VMG has notified the appraisers on the approved panel and will also notify appraisers that are pending approval what is expected of them in terms of complying with Appraiser Independence, Appraiser's Independence laws, FHA appraisal guidelines, Interagency Evaluation/Appraisal guidelines and the Dodd-Frank Act. If the appraiser does not comply, their actions will lead to termination from the panel.

All appraisers must add a comment to each of their reports indicating that they have complied (if applicable) with all state appraisal laws, Appraiser's Independence laws, FHA appraisal guidelines and Interagency Evaluation/Appraisal Guidelines.

VMG will notify in writing appraiser that is considered for removal from the panel, detailing their offenses and allowing them 10 days to respond.

### **APPRAISER INDEPENDENCE**



Valuation Management Group (VMG) manages the appraisal process from inception to final completion. Our purpose/goal is to obtain quality appraisals by proven professionals in a reasonable time frame. Appraisers will not be influenced for a certain value. We want to ensure the appraisal process is free of undue influence. In order to help appraisers avoid conflicts or the appearance of conflicts, no members of a lender's loan production staff or any person (i) who is compensated on a commission basis upon the successful completion of a loan or (ii) who reports, ultimately, to any officer of the lender not independent of the loan production staff and process, shall have substantive communications with an appraiser relating to or having an impact on valuation, including ordering or managing an appraisal assignment.

If any person(s) associated with any service managed by VMG is in violation, a toll-free number is provided to issue an Influence Complaint or a complaint may be made by email. All complaints are recorded and investigated.

We are committed to providing a process through which our clients receive an appraised value developed by trained, experienced professionals who utilize independent judgment and adhere to all requirements established by federal and state guidelines, Interagency Appraisal and Evaluation Guidelines, the Dodd-Frank Act and FHA Guidelines, etc.

VMG requests all clients to sign an Appraisal Management Service Level Agreement stating that VMG and the client agree to appraiser independence.

VMG requires all appraisers to sign a Service Level Agreement accepting responsibility to be knowledgeable and abide by all federal and state appraisal laws, Freddie Mac, Fannie Mae, FHA Interagency Appraisal and Evaluation Guidelines and all other regulatory guidelines affecting the appraisal or appraisal process. They must understand the importance of the National Appraiser Independence Laws and assure VMG and the client that their opinions of value have not been influenced in any way by a person with an interest in the loan transaction or any other persons. They must agree to only accept appraisal assignments from VMG for which they have geographical competence, have appropriate reliable data sources, and experience with the property type. They must fully comply with USPAP requirements as documented in the Client Special Instructions and all appraisal regulations.

## **FHA**

Valuation Management group adheres to the following:

- FHA Appraisers are not prohibited by the lender, AMC or other third party, from recording the fee the appraiser was paid for the performance of the appraisal in the appraisal report.



- FHA Roster appraisers are compensated at a rate that is customary and reasonable for appraisal services performed in the market area of the property being appraised.
- The fee for the actual completion of an FHA appraisal may not include a fee for management of the appraisal process or any activity other than the performance of the appraisal.
- Any management fees charged by an AMC or other third party must be for actual services related to ordering, processing or reviewing appraisals performed for FHA financing.
- AMC and other third party fees must not exceed what is customary and reasonable for such services provided in the market area of the property being appraised.

FHA is reaffirming these requirements. VMG working on behalf of mortgagees is prohibited from:

- Withholding or threatening to withhold timely payment or partial payment for an appraisal report.
- Withholding or threatening to withhold future business for an appraiser, or demoting or terminating, or threatening to demote or terminate an appraiser.
- Expressly or impliedly promising future business, promotions or increased compensation for an appraiser.
- Conditioning the ordering of an appraisal report or the payment of an appraisal fee or salary or bonus on the opinion, conclusion or valuation to be reached, or on a preliminary value estimate requested from an appraiser.
- Requesting that an appraiser provide an estimated, predetermined or desired valuation in an appraisal report prior to the completion of the appraisal report, or requesting that an appraiser provide estimated values or comparable sales at any time prior to the appraiser's completion of an appraisal report.
- Providing to the appraiser 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 must be provided.
- Providing to the appraiser, appraisal company, appraisal management company or any entity or person related to the appraiser, appraisal company or management company, stock or other financial or non-financial benefits.
- Allowing the removal of an appraiser from a list of qualified appraisers or the addition of an appraiser to an exclusionary list of qualified appraisers, used by any entity, without prompt written notice to such appraiser, which notice shall include written evidence of the appraiser's illegal conduct, a violation of the Uniform Standards of Professional Appraisal Practice (USPAP) or state licensing standards, improper or unprofessional behavior or other substantive reason for removal.



- Ordering, obtaining, using, or paying for a second or subsequent appraisal or automated valuation model(AVM) in connection with a mortgage financing transaction unless: (i) there is a reasonable basis to believe that the initial appraisal was flawed or tainted and such appraisal is clearly and appropriately noted in the loan file, or (ii) unless such appraisal or automated valuation model 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; or
- 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: the Truth in Lending Act (TILA) and Regulation Z and USPAP.

VMG enforces appraiser knowledge of market area and geographic competency. Appraisers are reminded that the Uniform Standards of Professional Appraisal Practice (USPAP) apply to all appraisals performed for properties that are security for FHA insured financing including the Competency Rule. Per the Appraiser's Certifications contained in the property specific Fannie Mae/Freddie Mac appraisal reporting forms adopted by FHA, appraisers must certify that:

"I have knowledge and experience in appraising this type of property in this market area" (Appraiser's Certification # 11)

and

"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." ( Appraiser's Certification #12)



## **HVCC Compliance**

Effective Date: 3/27/2009

Revision Date: 1/15/2010

**VMG continues to abide by HVCC after the sunset requirement as a good practice during the interim of final requirements of the Dodd-Frank Act.**

## **Home Valuation Code of Conduct**

### **Compliance Procedures.**

Code:

IA

An "appraiser" must be at a minimum, licensed or certified by the State in which the property to be appraised is located.

#### **Procedure:**

All panel appraisers with Valuation Management Group (VMG) will supply a current copy of their license, which is verified against the Appraisal Subcommittee website. VMG requires that all appraisers be licensed or certified. VMG does not approve any trainee. VMG tracks all licenses in our database to ensure current status.

IB

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

#### **Procedure:**

All employees receive training and must comply with HVCC Laws, Interagency, Appraiser Independence Laws, FHA guidelines, Interagency Evaluation and Appraisal Guidelines. Each appraiser will be required to make a HVCC compliance statement in the appraisal report. VMG will provide a certificate in each appraisal that the appraiser has complied with the HVCC. Appraisers do not receive an estimated value amount on any order placed with VMG. The appraiser is not identified to the client until the completed report is delivered.

IB

(1)

Withholding or threatening to withhold timely payment or partial payment for an appraisal report;



- 2) Withholding or threatening to withhold future business for an appraiser, or demoting or terminating or threatening to demote or terminate an appraiser;
- 3) Expressly or impliedly promising future business, promotions, or increased compensation for an appraiser;

**Procedure:**

Appraisers are paid by VMG for all reports delivered, regardless of whether or not the loan actually closes. Appraisals are assigned on a rotation basis, which is based on the appraiser's quality, grade, turn time and capacity. Fee is not a consideration in determining who receives the assigned order.

- (4) Conditioning the ordering of an appraisal report or the payment of an appraisal fee or salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary value estimate requested from an appraiser;
- (5) requesting that an appraiser provide an estimated, predetermined, or desired valuation in an appraisal report prior to the completion of the appraisal report, or requesting that an appraiser provide estimated values or comparable sales at any time prior to the appraiser's completion of an appraisal report;
- (6) providing to an appraiser 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 an 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;

**Procedure:**

VMG submits all orders to the appraiser without an estimated value.

- (8) allowing the removal of an appraiser from a list of qualified appraisers, or the addition of an appraiser to an exclusionary list of disapproved appraisers, used by any entity, without prompt written notice to such appraiser, which notice shall include written evidence of the appraiser's illegal conduct, a violation of the Uniform Standards of Professional Appraisal Practice (USPAP) or state licensing standards, substandard performance, improper or unprofessional behavior or other substantive reason for removal (except that this prohibition will not preclude the management of appraiser lists for bona fide administrative reasons based on written, management-approved policies);

**Procedure:**

VMG policy outlines the adding and removing of appraisers from the VMG panel. Any termination of an appraiser will require written notice along with documentation of inappropriate conduct, USPAP violation, state licensing violation or substandard performance. Any termination of an appraiser will require management approval.



VMG will notify any appraiser in writing that is considered for removal from the panel, detailing their offenses and allowing them 10 days to respond. This letter must be signed by a VMG reviewer and their supervisor.

(9) ordering, obtaining, using, or paying for a second or subsequent appraisal or automated valuation model (AVM) in connection with a mortgage financing transaction unless: (i) there is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately noted in the loan file, or (ii) unless such appraisal or automated valuation model 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; or (10) 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, the Truth in Lending Act (TILA) and Regulation Z, or the USPAP.

**Procedure:**

All reports are reviewed by a Licensed or Certified appraiser; the reports are reviewed as a technical review.

Valuation Management Group reviewers are trained to ensure that all reports are in compliance with Fannie Mae, Freddie Mac, USPAP, HUD, state and federal regulatory guidelines. If the report is deemed not to be credible, it is not delivered to the client; instead a second appraisal will be ordered by a Valuation Management Group employee.

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

**Procedure:**

All requests for additional information will be communicated by a VMG employee to the appraiser with a response required within 8 business hours.

II. Borrower Receipt of Appraisal The lender shall ensure that the borrower is provided a copy of any appraisal report concerning the borrower's subject property promptly upon completion at no additional cost to the borrower, 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 appraisal.

**Procedure:**

VMG provides a copy of the appraisal to the lender. The lender is responsible for delivering to the borrower.



## II. Appraiser Engagement

A. The lender or any third party specifically authorized by the lender (including, but not limited to, appraisal companies, appraisal management companies, and correspondent lenders) shall be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser. The lender will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by any other third party (including mortgage brokers and real estate agents). The lender may accept an appraisal prepared by an appraiser for a different lender, including where a mortgage broker has facilitated the mortgage application (but not ordered the appraisal), provided the lender: (1) obtains written assurances that such other lender follows this Code of Conduct in connection with the loan being originated; and (2) determines that such appraisal conforms to its requirements for appraisals and is otherwise acceptable.

### **Procedure:**

VMG selects and retains the appraiser. Appraisals are assigned on a rotation basis, which is based on the appraiser's quality, grade, turn time and capacity. Fee is not a consideration in determining who receives the assigned order. No payments will be collected at the door by the appraiser. The lender name on the appraisals can not be changed. Any transfer of an appraisal shall be between the lenders.

B. All members of the lender's loan production staff, as well as any person (i) who is compensated on a commission basis upon the successful completion of a loan or (ii) who reports, ultimately, to any officer of the lender not independent of the loan production staff and process, shall be forbidden from (1) selecting, retaining, recommending, or influencing the selection of any appraiser for a particular appraisal assignment or for inclusion on a list or panel of appraisers approved to perform appraisals for the lender or forbidden from performing such work; and (2) having any substantive communications with an appraiser or appraisal management company relating to or having an impact on valuation, including ordering or managing an appraisal assignment. 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.

### **Procedure:**

VMG selects from the appraiser panel database. All appraisals ordered are selected without influence from the client. The client does not know the identity of the appraiser until the completed report is delivered.

## III (C)

Any employee of the lender (or if the lender retains an appraisal company or appraisal management company, any employee of that company) tasked with selecting appraisers for an approved panel or substantive appraisal review must be (1) appropriately trained and qualified in the area of real estate appraisals, and (2) in the





case of an employee of the lender, wholly independent of the loan production staff and process.

**Procedure:**

VMG employees are trained Licensed/Certified appraisers or appraisal professionals that ensure all reports are in compliance with Fannie Mae, Freddie Mac, USPAP, HUD, State and Federal Regulatory guidelines per policy.

**IV (A)**

In underwriting a loan, the lender shall not utilize any appraisal report: (1) prepared by an appraiser employed by: (a) the lender; (b) an affiliate of the lender; (c) an entity that is owned, in whole or in part, by the lender; or (d) an entity that owns, in whole or in part, the lender. (2) prepared by an appraiser (a) employed, (b) engaged as an independent contractor, or (c) otherwise retained by any appraisal company or any appraisal management company affiliated with, or that owns or is owned, in whole or in part by, the lender or an affiliate of the lender.

Section IV.A. shall apply unless: (1) the appraiser or, if an affiliate, the company for which the appraiser works, reports to a function of the lender independent of sales or loan production; (2) employees in the sales or loan production functions of the lender have no involvement in the operations of the appraisal functions and play no role in selecting, retaining, recommending, or influencing the selection of any appraiser for any particular appraisal assignment or for inclusion on a list or panel of appraisers approved to perform appraisals for the lender or forbidden from performing such work; (3) employees in the sales or loan production functions of the lender are not allowed to have any substantive communications with an appraiser, appraisal company, or appraisal management company relating to or having an impact on valuation or to be provided information about which appraiser has been given a particular appraisal assignment before completion of that assignment; (4) the lender, or its agents, and any appraisal company or appraisal management company providing the appraisal to the lender do not provide the appraiser any estimated or target value of the property or the loan amount applied for (except that a copy of the sales contract for purchase transactions may be provided); (5) the appraiser's compensation does not depend in any way on the value arrived at in any appraisal or upon the closing of the loan for which the appraisal was completed;

(6) the lender and any appraisal company or any appraisal management company providing the appraisal to the lender has adopted written policies and procedures implementing this Code of Conduct, including, but not limited to, adequate training and disciplinary rules on appraiser independence (including the principles detailed in Part I of this Code of Conduct) and has mechanisms in place to report and discipline anyone who violates these policies and procedures; (7) the lender's appraisal functions are either annually audited by an external auditor or are subject to federal or state regulatory examination, and, unless prohibited by law, the lender promptly provides to Fannie Mae or Freddie Mac the results of any adverse, negative, or irregular findings of such audits and examinations indicating non-compliance with any provision of this Code



of Conduct, whether or not the examination was conducted for the purpose of determining compliance with this Code of Conduct; and (8) the lender and any entity described in section IV.A. providing the appraisal to the lender recognize that, once the Independent Valuation Protection Institute is established, the Institute will receive complaints for review and referral regarding non-compliance with the Code of Conduct. Referrals and reports shall be made to Fannie Mae and/or Freddie Mac regarding such complaints and the Institute will provide information on the results of complaint reviews to Fannie Mae and/or Freddie Mac and make them available to the other parties to the Home Value Protection Program and Cooperation Agreement.

**Procedure:**

VMG is independent from the lender and certifies that client did not recommend or influence the selection of the appraiser.

V.

The Independent Valuation Protection Institute An Independent Valuation Protection Institute (Institute) shall be created as approved by the parties. Subject to section IX, when the Institute is established, the lender will provide information to appraisers and borrowers regarding the availability of the Institute's services, which are expected to include: (1) a telephone hotline and email address to receive any complaints of Code of Conduct non-compliance, including complaints from appraisers, individuals, or other entities concerning the improper influencing or attempted improper influencing of appraisers or the appraisal process, which the Institute will review and report as provided in IV.B(8) and IV.C(2) of this Code of Conduct; and (2) the publication and promotion of best practices for independent valuation. The lender shall not retaliate, in any manner or method, against the person or entity that makes a complaint to the Institute.

**Procedure:**

Once established, VMG will setup systems to ensure a streamline process.

VI. (C)

The lender agrees that it shall quality control test, by use of retroactive or additional appraisal reports or other appropriate method, a randomly selected 10 percent (or other bona fide statistically significant percentage) of the appraisals or valuations that are used by the lender, including the results of automated valuation models, broker's price opinions, or "desktop" evaluations. The lender shall provide to Fannie Mae or Freddie Mac a report of any adverse, negative, or irregular findings of such quality control testing, and any findings indicating non-compliance with any provision of this Code of Conduct, with respect to loans sold to Fannie Mae and Freddie Mac respectively, and the Enterprise may enforce all applicable rights and remedies, including requiring the lender to repurchase mortgages or the Enterprise's participation interest in mortgages.



**Procedure:**

VMG works with each client to ensure information is available as part of the GSE reporting and compliance with HVCC. VMG may manage the review process with independent review appraisers if requested by the lender.

VII

Any lender that has a reasonable basis to believe an appraiser or appraisal management company is violating applicable laws, or is otherwise engaging in unethical conduct, shall promptly refer the matter to the applicable State appraiser certifying and licensing agency or other relevant regulatory bodies.

**Procedure:**

VMG works with each client to ensure communication is established for reporting any issue identified through the processing and evaluation of any appraisal order.

VIII.

A lender shall certify, warrant, and represent that the appraisal report was obtained in a manner in compliance with this Code of Conduct. If the Enterprise determines, on its own or from a referral made by the Institute, that a lender is in breach of a material aspect of this Code of Conduct or in violation of a provision of the Code by a complaint referred from the Institute, the Enterprise will enforce all applicable rights and remedies, including suspension or termination of the lender's eligibility to sell loans to the Enterprise, if the lender fails to remediate.

**Procedure:**

All appraisers must add a comment to each of their reports indicating that they have complied with the HVCC, Appraisers Independence, Appraiser Independence laws, FHA appraisal guidelines, Interagency evaluations and Appraisal guidelines..

All reports submitted to the client will receive a Certification of Compliance that Valuation Management Group has complied with the HVCC, Appraisers Independence, Appraiser Independence laws, FHA appraisal guidelines, Interagency evaluations and Appraisal guidelines.

Nothing in this Code of Conduct shall be construed to establish new requirements or obligations that: (1) require a lender to obtain a property valuation, or to use any particular method for property valuation (such as an appraisal or automated valuation model) in connection with any mortgage loan or mortgage financing transaction; (2) affect the acceptable scope of work for an appraiser in connection with a particular assignment; or (3) require the lender or any third party acting on behalf of the lender to take any action prohibited by federal or state law or regulation.

**Procedure:**



VMG policy is in compliance with state and federal law as well as HVCC, Appraiser Independence, Appraisers Independence laws, FHA appraisal guidelines, Interagency evaluations and appraisal guidelines.



## **Appraisal Quality Control Policy**

Effective Date: 9/1/2006

Revision Date: 12/8/2010

### **RECORDKEEPING**

Valuation Management Group utilizes a web-based software product, eTrac, an appraisal management software developed by Global DMS that provides assignment, tracking, file management, vendor and client management.

### **PANEL**

Valuation Management Group takes the following recruiting process prior to adding any new appraiser into the production rotation.

Completed and signed Appraiser Application packet must be provided. The appraiser must answer the following questions:

- Have you ever been disciplined by a state appraisal licensing agency or professional organization?
- Have you or has your firm ever been involved in a lawsuit either pending or resolved? If yes, please attach letter of explanation.
- Have you ever had a claim filed against your Errors and Omissions insurance?

In addition, each appraiser is required to submit a copy of their resume, references, samples of work, current license, E&O and Service Level Agreement (SLA) for review. Each appraiser is then checked against the ASC (Appraisal Subcommittee website) to ensure they are current on all credentials. VMG gets weekly updates to match against its database should any appraiser become inactive or have a complaint filed against them. Prior to the assignment of each appraisal, the appraiser's status is then checked against any exclusionary list deemed necessary by the Client.

As part of the packet, each Appraiser has to sign and return our "Independent Appraiser Service Level Agreement" (SLA), which states that they will fully comply with USPAP, understand the importance of the National Appraiser Independence Laws and, upon acceptance of an assignment from VMG, be geographically competent.

Valuation Management Group maintains a current copy of the appraiser's license and E&O on file to ensure the appraiser stays current with each State.

### **REVIEW**

Valuation Management Group has in-house appraisers that provide a quality control process on each appraisal. Every report received has a technical review done by a licensed/certified appraiser. They are considering reasonability, readability and



compliance with USPAP and other appraisal standards. VMG reviewers request revisions and ensure that the appraiser is in compliance prior to sending the report. If an appraiser is lacking in quality of work, is non-compliant or shows a pattern of delivering reports past their due dates, they may be subject to disciplinary holds, or even removal from the panel, if warranted.

If the report is deemed not to be credible, it is not delivered to the client; instead a second appraisal will be ordered by a Valuation Management Group employee.

VMG provides in-house monthly training for all reviewers to ensure their knowledge remains current. Reviewers also take annual formal continuing education to ensure staff stays on top of appraisal trends and standards in appraisal procedures and guidelines.



## **Appraisal Management Company - Standard of Good Practice in Appraisal Management**

Effective Date: 9/1/2006  
Revision Date: 1/15/2010

VMG has adopted the Appraisal Management Company Standards of Good Practice in Appraisal Management by TAVMA as a general guideline.



## **Security and Privacy Statement**

Effective Date: 1/1/2009

Revision Date: 1/25/2010

At Valuation Management Group we recognize that privacy and security of personal information is a concern to our clients and in return to their clients. We have taken care in establishing and implementing employee policies and procedures to protect this information.

Your privacy is considered in all aspects of our business. Our employees are informed of their responsibility to protect confidential information. Appropriate disciplinary policies are in place to help enforce employee privacy responsibilities. All employees sign a confidentiality agreement at the time they are hired.

Valuation Management Group receives and retains information about its clients through many sources. We limit the use and collection of this information to that which is necessary to maintain and administer appraisal services. Valuation Management Group does not exchange specific client information with independent companies for any other purpose without the client's consent, except when required by law, regulation, or court order, and to third party litigants when required by lawful judicial process or court order.

Valuation Management Group continues to monitor and review the privacy measures that it has in place to protect client information. These measures are updated as practices change and new technology becomes available.





## **Internal Audit Policy**

Effective Date: 1/1/2009  
Revision Date: 1/25/2010

### **AUDIT PURPOSE**

The primary purpose of this audit policy is to provide comprehensive guidelines in performing a periodic audit of appraisal management review functions. The internal auditor will be responsible for making sure proper procedures are followed and internal controls are efficient and effective. The auditor will see that all legal requirements and policies are being followed and will provide management with an evaluation of these procedures.

### **THE AUDITORS RELATIONSHIP WITH THE STAFF**

The auditor reports the audit findings and activities to the audited department and the President, and must be available to all personnel on matters concerning control procedures.

### **TRAINING AND CONDUCT**

The auditor must have proper knowledge and training in the appraisal field and should maintain an independent state of mind. The auditor shall respect the confidentiality of information obtained during an audit.

### **FREQUENCY OF THE AUDIT**

Audits will be performed based on a schedule as determined by the President no less than semi-annually. The frequency of the audit will vary depending on the areas of risk, changes in management and or staff, and recommendations made by management.

### **OPERATING POLICIES**

Audits will be performed by evaluating the control system and procedures to determine if they meet legal and regulatory requirements and are within policy and standard. Audits will be performed on both a surprise and an announced basis.

The auditor will maintain a system of work papers for the preparation of audit reports to the President and other interested parties. Each work paper should contain a

description of the subject matter and the source of the information. The paper should also contain a summary of the findings during the audit.

## **AUDIT PROGRAM OBJECTIVES**

The objectives of the audit program are:

- To help prevent noncompliance by maintaining an audit program that discourages violations and deficiencies.
- To ensure that proper controls are established to protect the company against losses from internal or external fraud.
- To detect incidents of noncompliance.
- To demonstrate the company's commitment to compliance and effective internal controls.
- To reduce the company's exposure to lawsuits, penalties, bad publicity, and other risks.
- To provide management with the information necessary to determine the extent of compliance with applicable laws and regulations and the quality of the compliance program.

## **REPORTING THE AUDIT**

Timely reporting is a very important part of the audit. It allows a proper communication between the auditor and management and it provides management with information necessary to make effective decisions. Reports should be kept as short as possible, but contain adequate information. Reporting should only contain facts. The reporting format should contain an introductory paragraph, the scope of the report, findings, suggestions, and conclusions.

All audit reports will include corrective action recommendations regarding control weakness, legal, regulatory and policy requirements. If a negative opinion is expressed in the audit report, a statement should be inserted in order to explain the corrective action to be taken.

Written replies are required to all audit reports. Written replies should address each exception noted in the audit report, stating that corrective action has been completed, or outlining what corrective action or procedural changes are intended. In most instances, twenty days from the date the audit report was received is sufficient time to prepare a reply.

The auditor will provide a written and oral report to management and the President upon completion of the examination.