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The Code

1. **What loans are impacted by the Code?**
On and after May 1, 2009, Freddie Mac will not purchase mortgages from Sellers that do not adopt the Code with respect to single-family mortgages that are delivered to Freddie Mac.
2. **Is the Code only applicable for loans originated in New York State?**
No, the Code applies to all geographic locations.
3. **How was industry feedback taken into consideration in revising the Code?**
FHFA, the New York Attorney General, Freddie Mac, and Fannie Mae all received thousands of comments from customers and industry participants during the open comment period from March 14 through April 30, 2008. These comments were shared, taken into consideration, and the revised version of the Code reflects much of the feedback received. Freddie Mac and

Fannie Mae have both adopted the same revised Code.

- 4. What does the implementation of the revised version of the Code mean for Freddie Mac Sellers?**
The revised version of the Code reflects changes based on industry comments received on the operational impacts, the need for clarification of terms, and unintended consequences of the original Code. The revised Code will enhance the integrity of the appraisal process as appraisers gain more independence from inappropriate influence.
- 5. What information are lenders required to provide to borrowers to comply with the Code?**
Lenders are required to provide the borrower with a copy of each appraisal report a minimum of three days prior to closing, unless the borrower waives this requirement.

Appraiser Credentials & Appraiser Selection Requirements

- 1. What are the minimum credentials that an appraiser must possess to be in compliance with the Code?**
As we require today, an appraiser must be licensed or certified by the state in which the property is located.
- 2. 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.
- 3. Are lenders permitted to use 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 and real estate agents. Please refer to Section III.A. of the Code for further information regarding who is authorized to select and retain appraisers.
- 4. Are lenders allowed to use appraisals ordered by appraisal management companies that provide other settlement services for the same transaction?**
Yes. Lenders may use appraisal management companies to obtain appraisals as long as they comply with the requirements of Section IV.C. of the Code.
- 5. 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 objective factual errors in an appraisal report as outlined in Section I.C. of the Code.

Appraisal Transfers, Second Appraisal, and AVMs

- 1. Can an appraisal be transferred to a second lender if the borrower decides to move from one lender to another?**
Yes, the original lender can transfer the borrower's original appraisal to the new lender as long as the requirements of Section III.A are met.
- 2. Is a second appraisal or Automated Valuation Model (AVM) permitted in a lender's foreclosure/REO processes?**
Yes. The Code does not apply to the lender's foreclosure/REO process.
- 3. 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 process or underwriting guidelines.
 - Lender adherence to a policy of selecting the most reliable appraisal as stated in Section I.B. (9) of the Code.

Exemptions to the Code

- 1. 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.
- 2. How do I know if my organization will be exempt from Section IV (a) of the Code as a "small bank?"**
In general, to be exempt from Section IV (a) of the Code, according to Section IV (e) of the Code, a Seller must (1) meet the definition of a "small bank" as set forth in 12 U.S.C. Section 2908 (which currently provides, among other factors, that the institution's aggregate assets are no more than \$250,000,000) and (2) Freddie Mac determines that the Seller would suffer hardship due to the provisions. We will provide additional information on this topic in the future.

Non-Compliance with the Code

1. **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. Effective May 1, 2009, Freddie Mac will no longer purchase mortgages from Sellers that do not adopt the Code with respect to single-family mortgages that are delivered to Freddie Mac. Also, effective for single-family mortgages with loan application dates on or after May 1, 2009, Freddie Mac Seller/Servicers 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.

2. **What does the Code require a lender to do if a lender has reason to believe that an appraiser or appraisal management company 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.

3. **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.

Implementation Plans and Moving Forward

1. **How will you implement the requirements of the Code?**

We issued a Guide Bulletin on January 7, 2009, announcing the addition of the Code to the Guide as a new Exhibit. We will continue to communicate with our customers about our implementation plans as we finalize our approach.

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

We are working with the New York State Attorney General, FHFA, and Fannie Mae regarding the Institute. The timing is still being determined. As details are finalized, we will notify Freddie Mac Sellers. Because the Institute has not yet been established, the provisions regarding it in the Code are not yet effective.

3. **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.