CITADEL
SERVICING CORPORATION

Appraisals Policy

Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) required the federal banking agencies to institute appraisal standards that, at a minimum, meet the generally accepted appraisal standards established by the Appraisal Foundation. In general, the act requires all real estate appraisals performed in connection with real estate-related financial transactions to be conducted by state-certified or licensed appraisers. It is our policy to comply with these standards because we are regulated by the Consumer Financial Protection Bureau and may sell our mortgage loans to purchasers who are regulated by the federal banking regulators.

In accordance with the regulations

- We obtain appraisals performed by state-certified appraisers for all mortgage loans [over $35,000.00 and above.]
- We obtain appraisals performed by either state-certified or state-licensed appraisers for all other mortgage loans.
- We obtain a new appraisal for any renewal of existing credit that involves the advancement of new money beyond the funds necessary to cover reasonable closing costs, unless there has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of our real estate collateral protection after the renewal.
- Each appraisal meets the standards set by the Uniform Standards of Professional Appraisal Practice (USPAP), as adopted by the Appraisal Standards Board of the Appraisal Foundation.
- Each appraisal analyzes and reports appropriate deductions and discounts for proposed construction or renovation, nonmarket lease terms and tract developments with unsold units.
- Each appraisal is based on the market value of the property.
- If an appraisal is performed by a staff appraiser, the staff appraiser complies with USPAP and: (1) is independent of our lending, investment or collection functions; (2) is not involved, except as an appraiser, in the underlying transaction; and (3) does not have any direct or indirect interest, financial or otherwise, in the property.
- If any appraisal is performed by a fee appraiser, the appraiser is engaged by the lender or its agent, rather than by the borrower, and the appraiser has no direct or indirect interest, financial or otherwise, in the property or the loan. We may accept an appraisal prepared by an appraiser engaged directly by another institution only if the appraiser has no direct or indirect interest, financial or otherwise, in the property or the loan, and we determine that the appraisal conforms to the requirements of the appraisal regulations and is otherwise acceptable.

We do not exclude any appraiser from consideration for an assignment solely by virtue of membership or lack of membership in any particular appraisal organization.

In accordance with interagency appraisal and evaluation guidelines, we will do the following:

- Provide for the independence of the persons ordering, performing, and reviewing appraisals or evaluations.
- Establish selection criteria and procedures to evaluate and monitor the ongoing performance of appraisers and persons who perform evaluations.
- Ensure that appraisals comply with the appraisal regulations and are consistent with supervisory guidance.
- Ensure that appraisals and evaluations contain sufficient information to support the credit decision.
- Maintain criteria for the content and appropriate use of evaluations consistent with safe and sound banking practices.
- Provide for the receipt and review of the appraisal or evaluation report in a timely manner to facilitate the credit decision.
- Develop criteria to assess whether an existing appraisal or evaluation may be used to support a subsequent transaction.
- Implement internal controls that promote compliance with these program standards, including those related to monitoring third party arrangements.
- Establish criteria for monitoring collateral values.
- Establish criteria for obtaining appraisals or evaluations for transactions that are not otherwise covered by the appraisal requirements of the appraisal regulations.

Regulation Z prohibits us from directly or indirectly coercing, influencing, or otherwise encouraging an appraiser to misstate or misrepresent the value of the consumer's dwelling. A creditor may not extend credit when it knows, at or before loan consummation, of a violation of this requirement unless the creditor documents that it has acted with reasonable diligence to determine that the appraisal does not materially misstate or misrepresent the value of the dwelling.

For example, a creditor or mortgage broker may not:

- Imply to an appraiser that current or future retention of the appraiser depends on the amount at which the appraiser values a consumer's principal dwelling.
- Exclude an appraiser from consideration for future engagement because the appraiser reports a value of a consumer's principal dwelling that does not meet or exceed a minimum threshold.
- Tell an appraiser a minimum reported value of a consumer's principal dwelling that is needed to approve the loan.
- Fail to compensate an appraiser because the appraiser does not value a consumer's principal dwelling at or above a certain amount.
- Condition an appraiser's compensation on loan consummation.

Examples of actions that are not prohibited include:

- Asking an appraiser to consider additional information about a consumer's principal dwelling or about comparable properties.
- Requesting that an appraiser provide additional information about the basis for a valuation.
- Requesting that an appraiser correct factual errors in a valuation.
- Obtaining multiple appraisals of a consumer's principal dwelling, so long as the creditor adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value.
- Withholding compensation from an appraiser for breach of contract or substandard performance of services as provided by contract.
- Taking action permitted or required by applicable federal or state statute, regulation, or agency guidance.

In accordance with Regulation Z's appraiser independence rule, with respect to any loan secured by a consumer's principal dwelling, it is our policy:

- Not to engage in coercion, bribery, and other similar actions designed to cause an appraiser to base the appraised value of a property on factors other than the appraiser's independent judgment.
- Not to permit appraisers or appraisal management companies to materially misrepresent the value of a consumer's principal dwelling in a valuation.
- Not to allow the falsification of a valuation or material alteration of a valuation.
- Not to allow appraisers or appraisal management companies to have a financial or other interest in the property or the credit transaction.
- Not to extend credit if we know, at or before consummation, of a violation of the prohibition on coercion or of a conflict of interest, unless we document that we have acted with reasonable diligence to determine that the valuation does not materially misstate or misrepresent the value of the dwelling.
- To report appraiser misconduct to state appraiser licensing authorities.
- To pay reasonable and customary compensation to any "fee appraiser' (i.e., an appraiser who is not our salaried employee and is not an employee of an appraisal management company we hire)

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Revision Date	Details	Compliance Approved
November 6, 2015	Reformatted entire document with approved template	March 3, 2016 – Rule Five Approved