



High Priced Loans & ECOA Valuation Rule Policy

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SECTION 1 – INTRODUCTION

A. Purpose

It is the Policy of Citadel Servicing Corporation (“CSC”), to implement reasonable procedures to comply with all applicable rules, regulations and laws with respect to the Appraisals for Higher-Priced Mortgage Loans Rule and ECOA Valuations Rule.

B. Origins

The Truth and Lending Act (“TILA”) of 1968 and its implementing rules under Regulation Z seek to promote the informed use of consumer credit by requiring disclosures about its cost and terms. In 2010, TILA was amended by the Dodd-Fran Wall Street Reform and Consumer Protection Act to require rules for appraisals on principal residence securing higher-priced loans.

The new ECOA Valuations Rule amends the appraisal provisions of ECOA’s Regulation B. It updates current ECOA rules to say that CSC must provide applicants for first-lien loans on a dwelling with copies of appraisals, as well as other written valuations, developed in connection with the application, whether or not the applicants request copies.

C. Applicability

This policy applies to all covered mortgage products and loan transactions.

D. Assigned Officer Reasonability

The Board of Directors has appointed the Compliance Officer as administrator to maintain compliance over the day-to-day implementation of this policy.

E. Definitions

- A valuation is any estimate of the value of a dwelling developed in connection with an application for credit. Below is a nonexclusive list of valuations:
 - An appraiser’s report (whether or not the appraiser is licensed or certified), including the estimate or opinion of the property’s value.
 - A document your staff prepares that assigns value to the property.
 - Automated valuation model reports used to estimate the property’s value requirements.
 - A broker price opinion prepared by a real estate broker, agent, or sales person to estimate the property’s value.
 - Valuations that secondary market partners develop and share with your organization in connection with the credit application process.
 - Attachments or exhibits that are an integrated part of the valuation.
 - Any valuation is developed in connection with the application.
 - Even if the valuation is used for a limited purpose.
- What is not considered a valuation?
 - Internal documents that merely restate the estimated value of the dwelling contained in an appraisal or other written valuation you are providing to the applicant (for example, an internal email that only mentions the appraised value in the appraiser’s report to be provided to the applicant).
 - Government agency statements of appraised value that is publicly available.
 - Publicly available lists of valuations (such as published sales prices or



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- mortgage amounts, tax assessments, and retail price ranges).
 - Reports reflecting property inspections that do not provide an estimate or opinion of the value of the property and are not used to develop an estimate or opinion of the value of the property.
 - An appraisal review that does not itself state a different estimate from the appraisal would not be a valuation you must provide to the applicant.
 - “Promptly” means promptly upon completion, or at least three business days before consummation.
 - “Appraisal” is an internal and external written appraisal report completed by a licensed or certified appraiser who certifies the appraisal complies with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989, as amended, 12 U.S.C. 3331 et seq., and any implementing regulations.

SECTION 2 – PROCEDURES

- When CSC receives an applicant’s application and decisions it, CSC has three business days to notify the applicant of the right to receive a copy of appraisals.
- If the transaction is identified as a Higher-Priced Mortgage loan covered by the 2013 Appraisals for Higher-Priced Mortgage Loans Rule (“HPML”), then under that rule, CSC must provide copies of written appraisals no later than three business days before consummation.
 - There is no waiver option for appraisals covered by Higher-Priced Mortgage Rule.
 - CSC must “promptly” share copies of appraisals and other written valuations with the applicant as they are completed and used to decision the application or 3 days prior to closing, whichever is earlier.
- Under the ECOA Valuation Rule, CSC must “promptly” share copies of appraisals and other written valuations with the applicant as they are completed and used to decision the application through the loan application life cycle or 3 days prior to closing, whichever is earlier.
- Under the ECOA Valuations Rule, if it is determine that that the loan is not going to close, it is required that CSC give the applicant a copy of the most recent appraisal and other written valuations used to decision the application “promptly” upon completion.
- Under the ECOA Valuations Rule the applicant can waive the right to receive copies of the appraisal or other written valuations in advance of the closing, but in these cases, CSC must still deliver the copies or the most recent valuations used to decision the application at closing or 3 days prior to closing.
 - See CSC’s ECOA Validation Rule Borrower Delivery Waiver Form.
 - A waiver from the applicant can be obtained via email (scanned form), mail or phone call (phone call applies to retail application only).
- Under the ECOA Valuations Rule if CSC does not consummate the loan and the applicant has provided a waiver, CSC has 30 days to send the applicant copies of the appraisal and other written valuations used to decision the application.
- The ECOA Valuations Rule will apply to any CSC Loan Servicing Activity that will require a valuation to be obtained.



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SECTION 3 – APPRAISAL COPY DELIVERY

Copies are to be sent to the applicant's last-known physical or electronic address.

- Note that regulation states that “Delivery” occurs three business days after the appraisal copies are mailed or electronic receipt is received, or whenever you have evidence indicating that the applicant received the copies.
- For electronic delivery, you must obtain the applicant's consent under the Electronic Signatures in Global and National Commerce Act (E-Sign Act).
 - See CSC's E-Sign Form.

SECTION 4 - TRAINING

All applicable CSC personnel shall be trained on the functions and processes of the TILA Higher-Priced Mortgage Loans Appraisal Rule and ECOA Valuations Rule policy and procedures. Training will be provided to new hires during orientation, if applicable, based on assigned duties and to all applicable personnel at least on an annual basis. This training will be supplemented by any changes, or additions to any regulation or CSC policy.

Training may consist of a combination of classroom instruction, reference guidance, and/or memorandum.

SECTION 5 - AUDIT

CSC, through Compliance, will facilitate the audit of TILA Higher-Priced Mortgage Loans Appraisal Rule and ECOA Valuations Rule data and documents as necessary and provide documentation as to when and how the audit was performed, any findings, and a plan of action for correction. This audit will be conducted on at least an annual basis. The audit findings will be provided to The Board of Directors within a reasonable time period after completion.

SECTION 6 – RECORD KEEPING REQUIREMENTS

- CSC shall retain its full TILA Higher-Priced Mortgage Loans Appraisal Rule and ECOA Valuations Rule electronic data and documents for at least three (3) years for potential examination purposes.

SECTION 7 - FAQs

- What are the differences between the types of loans that may be covered by the HPML Appraisal Rule and the types of loans covered by the ECOA Valuations Rule?
 - ECOA Valuations Rule does not apply to subordinate liens; the HPML Appraisal Rule does apply to subordinate liens.
 - ECOA Valuations Rule covers any transactions secured by a dwelling for any purpose; the HPML Appraisal Rule applies only when the covered loan is for a consumer purpose and is secured by a principal dwelling.
 - ECOA Valuations Rule does not exempt any types of transactions secured by a first lien on a dwelling; the HPML Appraisal Rule exempts several types of transactions.
- What if the broker submitted the application with an appraisal they attained?
 - This policy applies to any valuations that a broker develops and is used in connection with the credit application process.



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- If there is more than one applicant, do all of the noted applicants have to receive copies of the valuations?
 - Answer: If there is more than one applicant, you may give the disclosure and valuation copies to apparent primary applicant.
- If there is more than one applicant, do all of the noted applicants have to sign the waiver?
 - If there are multiple applicants, one applicant may provide a waiver, but it must be the apparent primary applicant.
- When must the copies of valuations be provided to applicants?
 - Answer: Valuations promptly upon completion.
- Can I save up my valuations and send them all at once?
 - Answer: If one valuation is completed, it may be possible to wait a few days for another valuation to be completed, as long as copies are provided "promptly" upon completion are used to decision the file.
- What are examples of valuations being "completed":
 - When you receive the appraisal or other written valuation and it is used to decision the application.
 - When any reviews or revision to the value is made or received and it is used to decision the application.
 - When an automated valuation model (AVM) report is received and it is used to decision the application.
- What examples of cases in which the "promptly" upon completion standard would not be satisfied include (but are not limited to):
 - Delaying too long after completing an appraisal or other written valuation before providing a copy:
 - For example, 12 days after application, you receive and approve an appraisal. You wait to provide a copy to the applicant until 42 days after application.
 - Delaying providing a copy of one written valuation too long while waiting for completion of a second written valuation:
 - For example, you receive and approve an AVM report five days after application. You order an appraisal and the initial version of the appraisal is deficient. It takes until day 35 to get the revised appraisal. You hold the AVM report and send both the AVM and the appraisal to the applicant on day 35. While you provided the appraisal report promptly upon completion, you did not provide the AVM report promptly upon completion.
 - If I get multiple versions of a valuation, do I have to send them all to the applicant?
 - Guidance states that CSC is to provide "all" appraisals and other written valuations does not refer to all versions of the same appraisal or other written valuation. If you get multiple versions of an appraisal or other written valuation, you have to give the applicant only the most recent version.
- What happens if there is a clerical error in a valuation?
 - CSC is required to provide a copy of the most recent corrected valuation to the borrower promptly upon completion and when used to decision the application.
 - A revision is defined as follows:
 - The revisions must affect the estimated value.
 - The revisions must affect the calculation or methodology used to derive the estimate.



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