



GOLDEN STATE AMC
LOCAL APPRAISER NETWORK

Golden State Appraisal Management Co., LLC

OFFICE POLICY
CONCERNING
APPRAISER PROCEDURES

Effective January 1, 2010

GOLDENSTATEAMC.COM

1436 Glenoaks Blvd., Suite 116, Glendale, CA 91201

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Management

As of the writing of this procedures manual update, 'management' consists of the current partnership owners. The definition may be modified at a later date as individual department or operations managers are appointed.

Management is responsible for development of all policies; procedures, marketing and contracting.

No one other than management may establish policy or procedures except to the extent specifically authorized by management.

No one may contract for services of any description, or bind GSAMC to contractual obligations except as may be specifically authorized, in writing; and signed by management.

Staff: All staff must be aware of and insure that client confidentiality is protected at all times.

No confidential client information is to be discussed with anyone other than management; the client themselves or parties the client has specifically authorized staff to discuss such information with.

No member of staff is to offer an opinion about value or property marketability at any time, unless they are also appraisers, performing their duties as licensed or certified appraisers.

Staff will not attempt to influence appraisers in the finding or reporting of value in any direction. Nor will staff encourage or knowingly permit the misrepresentation of property descriptions or conditions by appraisers to clients.

Appraisers are, and shall all be independent contractors.

All appraisers must be licensed in the State of California and must maintain their licenses in good standing.



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Appraisers receive notifications from the state approximately six to twelve weeks in advance of renewal. It is up to individual appraisers to insure that they have completed any required continuing education (CE) necessary for renewal in sufficient time to renew their licenses prior to expiration.

No appraiser will be given work assignments where either the inspection date or writing of the report or signing of the report will take place after their license expiration dates.

FHA approved panel appraisers must notify the appropriate federal agency upon license renewal to insure their list is updated.

All appraisers will provide GSAMC with a copy of their current license (or certification) and a current copy of their E & O insurance documents necessary to prove coverage.

Licensed appraisers must carry a minimum of \$250,000 per claim coverage.

Residential Certified appraisers are encouraged to carry at least \$500,000 per incident coverage. Certain clients may require it.

General Certified appraisers must carry at least \$500,000 and are encouraged to carry \$1,000,000 per incident coverage.

All appraisers are required to have a current copy of the Uniform Standards of Professional Appraisal Practice (USPAP).

Each appraiser is expected to follow current FNMA; HUD and or FreddieMac guidelines.

All appraisers must conform to all applicable federal and state laws and regulations.

All appraisal performed for regulated institution transactions or government sponsored entities (GSEs) must conform to USPAP in effect as of the date of the effective date of the appraisal; or signature date, except that retrospective appraisal reviews are performed, the USPAPs applicable to that appraisal report shall be used to judge the adequacy of the appraisal compliance with standards on that date. The review appraisal itself shall conform to current USPAP requirements.

All appraisals performed for non-regulated transactions must at a minimum conform to California State Appraisal laws, regulations and guidelines, as well as generally accepted appraisal practices.



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UAD compliance is required for GSE regulated transaction appraisals.

1004MC analysis must be completed on all reports. If / when there is insufficient data for reliable market trend conclusions to be developed report such statistical data as may be found, and explain the lack of data. An alternative method must be undertaken to determine market conditions and explained fully in addenda.

Appraiser Approval to GSAMC Panel:

All appraisers seeking approval for placement on the *GSAMC APPROVED APPRAISERS ROSTER* must meet the following requirements:

1. Submission of two (2) USPAP compliant appraisal reports with privileged client information redacted. One must be a 1004 form and the second should be a form 1073 condominium.
2. Submit copy of your current active appraiser license
3. Submit a copy of your current E&O insurance verification. Declarations page is sufficient.
4. A link or copy of your current HUD/FHA approved roster listing for those seeking FHA work
5. References from two (2) current professional sources (may be lenders, AMCs or other appraisers of equal or higher license levels).
6. A statement that you have never been blacklisted or removed for cause from a clients approved appraiser roster; or an explanation of the circumstances if you have. (Include name and contact information. Prior removal is not automatic disqualification, but we must be aware of the circumstances in order to make a final decision.
7. IF you have ever been disciplined by your state licensing agency, have all fines and mandatory remedial educational requirements been completed, and is your license now in good standing? Provide copies of State Letter(s) final findings.

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GSAMC management verifies appraiser history through the following agency websites:

- WWW.SAM.Gov (includes former EPLS which was discontinued on November 21, 2012)
- http://portal.hud.gov/hudportal/HUD?src=/topics/limited_denials_of_participation
- <http://www.treasury.gov/ofac/downloads/t11sdn.pdf>
- <http://www.orea.ca.gov/html/EnforcementActions.asp>
- <http://www.orea.ca.gov/html/SearchAppraisers.asp>

Client specific requirements may periodically dictate the use of additional sources.

APPRAISER RESONSIBILITIES:

All fee panel appraisers are independent contractors. Each appraiser must maintain their own record of payments and expenses for tax filing purposes. GSAMC will issue a 1099 Miscellaneous Income form for all payments made to the appraiser. A copy of this form is sent to IRS.

Appraisers are not employees of GSAMC or our clients. They should not identify themselves as such at any time. (They may or should introduce themselves by name, & state "I am the appraiser independently contracted by Golden State Appraisal Management Company on behalf of your lender." NOTE: Some lenders may prefer modified verbiage indicating appraiser s there specifically at their behest, in which case that verbiage should be followed.

We *never* place appraisal orders out to multiple appraisers for fastest turn time or low fee bids. Appraiser *competency is most important*. How fast appraisers can "grab" and accept orders without reviewing them first, is not. Each panelist knows our fee range. They also know that when complex issues are discovered before acceptance, they can and should report them if additional time, or a fee adjustment is required. Appraisers are also selected for demonstrated area competency, and familiarity with the property issues involved.

GSAMC maintains an extensive network of certified and general certified appraisers that are available to other panelists for consultation, when circumstances dictate.

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This includes former Treasury Department Senior Review Appraisers; rent control apartment specialists, gift and estate tax specialists, bankruptcy appraisal specialists, experts in appraisal for litigation, as well as general commercial, industrial and land appraisal. ALL panelists are experts in FNMA requirements; and most also have expertise in HUD/FHA requirements. All appraisers have over five years' experience. Many have from twenty to thirty plus years' experience as full time appraisers.

Because appraisers *are not employees*, GSAMC cannot dictate working hours; set appointments for them or dictate the number of hours they must work each day.

Appraiser selection for specific assignments is based on our own internal rating system for quality, service and time efficiency; as well as an analysis of the property type involved; its complexity and the appraiser's specific experience and strengths. GSAMC will share this information when requested by appraisers seeking to improve their 'score'.

We require that all work be completed in a timely manner.

1. Our clients require that borrowers or access parties be called within 24 hours of accepting the appointment.
2. Appointments should be scheduled as soon as possible.
3. Regardless of when the appointment is scheduled, appraisers must notify GSAMC of the time of the appointment.
4. Appraisals are normally required to be delivered to our clients within five (5) working days of the appointment. Sometimes sooner. Appraisers must complete their work *and turn in USPAP compliant reports* within sufficient time to enable internal GSAMC quality screening reviews to be completed in the required five day time frame. It is preferred that all work be done as quickly as circumstances permit, without negatively impacting the appraisal quality. A desired target time for completion is between 2 to 4 working days after inspection.
5. ***In no case should desired deadlines take priority over completing the assignment in a professional, USPAP compliant manner.***
6. When circumstances dictate additional time due to assignment complexities notify GSAMC of the nature of the challenge as soon as it is identified, so that we can keep our clients informed.



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7. Unless otherwise notified, FNMA or Freddie Mac guidelines should be followed. FHA assignments should be HUD/FHA compliant, in addition to all lender-client specific appraisal requirements.
8. Additionally, GSAMC requires four (4) comparables. Three closed sales and one pending or active listing. When this is not feasible, appraisers should notify GSAMC immediately.
9. Appraisers are to photograph water heaters to insure they are double strapped for earthquake safety.
10. Appraisers are to photograph carbon monoxide and smoke detector/alarms.
11. Barred windows. Photograph quick release mechanism with the bars in the open position, or comment why this was not feasible. NOTE: Quick release mechanisms are not required for rooms with two or more doorways.
12. Items 8-10 are in addition to normally required photographs.
13. MLS pictures; Google pictures or other pictures not taken by the appraiser are *not allowed in lieu* of appraiser original pictures. Subject to copyright limitations, *they may be used in addition* to the appraiser's photos if the appraiser feels they provide additional information. For example, When a gated comparable is not visible from the street. (1) Photograph the gate; (2) include other sourced pictures that were used to determine the relevant condition and characteristics of the property.
14. Appraisers are encouraged to take more photos than are required for the report in all cases, but especially where potential problems are suspected; observed or otherwise known. Those not used can be kept in work files.
15. All appraisals for GSE regulated transactions must also be UAD compliant; and uploaded in both xml and pdf formats.
16. Limited space allocated for comments in the forms used does not excuse the appraiser from lack of adequate explanation, when needed. Use addendums.
17. GSAMC will never attempt to improperly influence the appraiser's opinion of value, or marketability. However if those opinions are inadequately supported; or are not clearly apparent from the data used and explanations provided, GSAMC will require additional explanation or supporting data, as is appropriate.
18. When (if) clearly apparent errors are found, GSAMC will contact the appraiser and give them an opportunity to correct them (or clarify why they are not errors). Appraisal corrections are required to be done immediately if the five day delivery period has lapsed or is within one day of lapsing.



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19. Underwriter requests. *Any / all underwriter requests must be addressed immediately* when possible. This does not mean appraisers must do what is stated if they do not believe it is USPAP compliant, or if it is outside the agreed scope of work. Issues raised *must be constructively, intelligently and appropriately addressed*. Simply responding that “The appraiser disagrees.” Is not adequate. When compliance with an underwriter request is not possible, appraisers must clearly state why it is not possible, or is otherwise deemed to not be appropriate.
20. Value Rebuttals or other challenges to appraisal opinions and findings.
- All rebuttals must be constructively addressed in a timely manner.
 - The appraiser should first consider the possibility that he or she may have missed something that is now being provided. Rebuttals should first be viewed as opportunities to correct potentially deficient reports, rather than nuisances. It is human nature to make mistakes. It is unethical to refuse to correct them, when pointed out.
 - If after the above, the appraiser does not agree, they should explain why in further detail than was in the original report. Often these are simply matters requiring clarification or elaboration of the explanations already provided.
 - If alternate comparables are not found to be as good, or as appropriate as those originally used, explain why. If they are simply different comparables that could have been used, then indicate how the overall appraisal result would be affected if they were used (on the basis of desk reviewing them with consistent adjusting).
 - IF these were comparables simply missed that should have been used, then go look at them and grid them in an appraisal addendum. Reconsider impact.
 - ***If a different value is arrived at, appraisers may not simply change their original report value conclusion, once a report has been signed and submitted.*** Doing so is a USPAP violation that would leave them vulnerable to state BRE license sanctions. There are two choices: (1) Append a new suffix file number to a copy of your original appraisers file number (for example File No. xyz-revised, or “Rev”); ***disclose that you HAVE performed a prior appraisal service on the property within a three year period***; and that on the basis of new information not originally available a reappraisal is being done; then modify, amend or append the



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report as appropriate. It is ok to indicate the subsequent report is a partial copy that has been updated to provide a *new report* of a *new appraisal* (though based on the original inspection date). (2) Prepare a completely new report, *ALSO disclosing* the prior appraisal. Option one if done correctly is usually the quicker option. Remember! The original report with your signature is still out there. Make sure your work file includes both versions along with notes on why the correction was made.

- Appraisers should exercise caution and common sense. Property does not have a value because an appraiser says it does. Property has value *because the market says it does*. Make sure appraisal opinions are supported by market data. That includes adjustment amounts.
- Most appraisal texts agree that two appraisers of similar skill, performing competently and professionally cannot reasonably be expected to make adjustments that are less than 5% apart from each other. Alternatively expressed, no two appraisers can or should claim a degree of accuracy greater than 95% based on adjustments that could inherently be 5% apart. While appraisers doing relocation work are routinely required to be “within 2% of perceived net” values, the fact remains that we often claim or assume a degree of accuracy that is not attainable in the market. For example; a concluded value of \$893,000 is more than likely ‘not probable’. A value of \$895,000 or \$890,000 may be. Just as a value of \$900,000 may be. A sale of \$893,000 should not normally be concluded at the lower \$890,000 end without very strong justification, and the absence of data to support even the non-rounded higher number. Do not assume the buyer “will just have to come up with more money” if they want the property. The offer amount may be the result of hard fought negotiations back and forth and may be the straw that breaks the deal. NOTE: If data really dictates that the lower amount is the conclusion, then carefully explain why, and conclude where market data dictates.
- If at any time during the appraisal process, anyone connected with the transaction attempts to improperly influence the outcome, report it to GSAMC management immediately. That does not mean agents submitting high ‘comparables’ that may or may not be comparable; or “puffing” the property features. That is routine and often to be expected. Listen politely, consider the data and *then utilize the most appropriate data* developed from all sources.

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- NEVER discuss the subject property value or probable values with anyone at the property. Remember who the client is, and do not discuss details of the appraisal itself with anyone else. That does not mean that normal inquiries concerning the listing history or specific pending offer cannot be discussed. They SHOULD be discussed in sufficient detail for the appraiser to determine whether the transaction is an arm's length, open market transaction, or if some other motivation is present.
- NOTE: Non arm's length transactions ARE permissible as long as the specific lender is aware of the circumstances and those meet their guidelines. For example: a family member may sell property to another family member. It may or may not be at market value. Simply explain the circumstances in the contract analysis section (or addendum) and the lender can make their own determinations. There are also certain gift tax circumstances where a gift of equity (or property) may be made, but where alienation clauses in the underlying mortgage require that the 'gift' be refinanced to clear an existing lenders interest(s). Simply explain any non-arm's length circumstances as clearly as possible so that readers have a full understanding of what is transpiring.



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APPRAISER CONDUCT:

- Appraisers are to act in a professional manner at all times.
- *Dress appropriately for the assignment; property conditions and climate.* Coats and ties or dress suits for men and women are usually not practical; and are not required. “Business Casual” is acceptable. If it is known in advance that looking into crawl spaces or attics are required “clean work clothes” may be worn. If industrial warehouses are being inspected, or other commercial property where climbing to rooftops is required, the same applies. *Hint:* When setting appointments, ask property owners or contacts not to water gardens or shrubs on the inspection date where you will have to walk in order to measure the property.
- Be polite. Do not argue with property owners or other contacts. Simply note the other party’s views or comments in your notes and determine applicability later.
- Conduct as thorough an inspection as is feasible of all accessible areas. If any areas are inaccessible, explain why, and determine if an extraordinary assumption is reasonable, or if a future re-inspection is required.

APPRAISER MISCONDUCT:

Certain actions periodically found in the appraisal business are unacceptable. GSAMC will always listen to both sides of an issue before arriving at any decision to sever the appraiser-AMC relationship. Every effort will be made to amicably and professionally resolve any disputed issues in a timely manner.

Responding to client forwarded rebuttals is an ordinary part of this business. It does not constitute undue pressure to improperly alter value or marketability opinions. As noted previously, all such rebuttals are to be carefully considered and responded to in an appropriate and constructive manner. Refusal to do so will result in the appraiser’s services no longer being used by GSAMC. It *could potentially* form the basis of a complaint to the State Bureau of Real Estate Appraisers (BRE).

Failure to produce USPAP compliant appraisal reports. No one is perfect. Mistakes may be made. It is how those mistakes are addressed that determines the future of the GSAMC / Appraiser relationship. Minor errors will periodically happen. Immediate and *appropriate correction will not result in any negative actions or withholding of future work.* However, where a pattern of such activity is found, the appraiser will be notified that they are on probation and specifically what the issue or issues are that must be

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addressed. Failure to improve in identified areas of deficiency will result in removal from the GSAMC panel.

Falsification of data; not accurately reporting negative property conditions observed, not personally inspecting property or comparables; or deliberately skewing appraisal results in a direction that improperly favors or hurts the cause of anyone involved in a transaction are all ethics related issues. GSAMC can have no tolerance of any dishonest acts in conjunction with appraisals performed by its fee panel members. Any allegations of such acts will be fully investigated by GSAMC, using certified appraisers experienced in review of fraudulent and potentially fraudulent appraisals.

If preliminary research indicates the allegations are reasonably supported, the appraiser will be notified and given an opportunity to defend their work. In the meantime, they are suspended until the issue is resolved.

If a finding results in which it is clearly evident and documented where appraiser malfeasance is present, the appraiser's relationship with GSAMC will be terminated.

Verified facts indicating intentional acts of dishonesty by appraisers will be reported to the State BREa.

Issues involving egregious appraisal errors will be reviewed with the client for concurrence, prior to any referral to BREa for their investigation. Client policies concerning BREa referrals will be considered prior to making such referrals (except in cases involving well documented acts of dishonesty).

APPRAISER REFERENCES:

1. Where conditions exist in which a positive reference could not be given, the appraiser must already have been given an opportunity to state their case, and must have been notified in writing that their services will no longer be accepted along with the specific reasons for that decision.
2. No negative references of any kind are to be made, for reasons related to potential liability. Where a positive reference cannot be made, the only statement that may be made is "GSAMC is unable to provide you with a reference for the appraiser named, at this time."
3. Positive written references must be limited to GSAMC own experience in working with the appraiser, based on quality, service and timeliness. A perceived positive attitude and exceptional skill may also be reported if applicable.