

Ask Tommy: Your QC Expert



By Tommy A. Duncan

I have a small warehouse line. How do I meet the Home Valuation Code of Conduct (HVCC) Section VI Appraisal Quality Control Test?

The Home Valuation Code of Conduct (HVCC) Section VI states:

“Lender will perform a sampling quality control test on a randomly selected 10 percent of the appraisal or valuations used by the lender, including AVMs BPOs and Desktop Evaluations. Lender must report negative finding and code violations to Fannie Mae or Freddie Mac. Enterprises may enforce rights and remedies, including non-participation or loan repurchases.”

I recommend that your post-closing quality control (QC) software has an appraisal compliance section in it that can produce its own appraisal report separate from the post-closing QC audit. As you may know, the HUD Handbook 4060.1 and Fannie Mae and Freddie Mac’s Seller’s Guide addresses an appraisal review as part of the post-closing review. The agencies require that an appraisal desk review be performed on every loan audited, except for the Field Review Appraisal that is required on one percent of the total loan production or 10 percent of the total QC audit.

If your company is performing the generic 10 percent post-closing review under agency guidelines, then you are meeting the HVCC standards. I do not think that many of the post-closing audit software programs have reached the ability to provide a separate appraisal report that can be sent to Fannie Mae or Freddie Mac. Usually, Fannie Mae and Freddie Mac request copies of the post-closing reports as well as the QC Manager’s Report. Again, very few post-closing QC software programs provide an integration of the QC Report, QC Manager’s Report and the Post-Closing Appraisal Report. Many QC managers or QC departments take on an addition task by preparing separate reports.

Another consideration a small lender should consider when using an appraisal management company (AMC) is the ability to track the appraiser associated with high-risk loans that were assessed by the QC department. A QC manager who has the ability to link key player with a loan is essential to the success of mortgage operations and QC functionality.

What Quality Mortgage Services and National Mortgage Appraiser provide a lender is a database from the Mortgage Analysis Review Software (MARS) where auditors perform appraisal desk review and an analysis of the Field Review Appraisal. Each loan audited is assigned a risk rating from one to four, meeting the HVCC requirements of review of appraisals. The MARS database, integrated with appraisal management software (AMS) provides the AMC team with the ability to monitor an appraisers’ work and track the quality of the appraisal as part of the QC requirement. The MARS portal empowers the QC Manager to integrate appraisal analysis reports, QC reports and QC Manager Reports where the QC management team integrated actions and responses to QC reports.

In order to meet the HVCC Section VI requirement, outsource your QC to Quality Mortgage Services and use National Mortgage Appraisers as your AMC in order to meet all-new QC requirements. This way, all data is centralized and can be empowered to advance lending and QC operations to higher and more efficient standards.

Tommy A. Duncan is executive vice president of Quality Mortgage Services LLC. For answers to your QC and FHA questions, please contact Tommy at (615) 591-2528, ext. 124 or e-mail taduncan@qcmortgage.com. You may also visit Quality Mortgage Services LLC on the Web at www.qualitymortgageservices.com.

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