



28 July 2014

Mr. Tad Bolton
Appraisal Compliance Investigator
State of Louisiana
Louisiana Real Estate Appraisers Board
P. O. Box 14785
Baton Rouge, LA 70898-4785

Subject: Case Number 2014-1500

Dear Mr. Bolton:

In response to your letter dated July 1, 2014 concerning the above referenced case number, we are furnishing information concerning appraisal assignments that were performed in Louisiana for the period December 1, 2013 through June 30, 2014. Our response includes the engagement letter for each assignment which covers Items #1 through #5 in your request. The Louisiana Order Summary spreadsheet covers Items #6 through #8 of your request.

With respect to Item #9, our appraiser requirements are identified in our Vendor Agreement that has been attached for your reference. The Vendor Agreement outlines the business terms between iMortgage Services and our appraisers. In addition to the experience requirements, iMortgage Services verifies the appraiser's license/certification credential with both the ASC and the state of issue. We also perform a search at the state level for disciplinary proceedings for each appraiser as a disciplinary finding is a disqualification event for an appraiser.

Items #11 and #12 are the performance scores for our appraisers and it is corporate into one score encompassing both service and quality. A spreadsheet identifying the performance scores for the Louisiana orders and the applicable appraisers is attached for your reference.

Payment information has also been included on the Louisiana order summary spreadsheet that includes our order number, property location, client fee, appraiser fee, order completion date, and payment date to the appraiser. This spreadsheet also includes a link that will take you to the previously mentioned engagement letter for each assignment. I have also included our

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888-575-8555

AIR certification that each appraiser agrees to when they become approved with iMortgage Services as well as a list of our active panel of Louisiana appraisers.

If you have any questions regarding this submission, please let me know.

Sincerely,

Dean B. Kelker

Digitally signed by Dean B. Kelker
DN: cn=Dean B. Kelker, o=iMortgage Services,
ou=Administration,
email=dkelker@mortgageservices.com, c=US
Date: 2014.07.28 12:11:27 -0400

Dean B. Kelker
Senior Vice President – Chief Risk Officer

Attachments

Louisiana Investigation Response

Assignment Methodology

iMortgage Services uses two basic methodologies to offer assignments to appraisers, auto-assign and manual assignment. In the auto-assignment process, an appraiser would be selected based on several factors, which include performance score, available capacity, and proximity to the subject property. The system “looks” at those variables and makes an appraiser selection and then transmits the order to the selected appraiser. The selected appraiser then has the option of accepting the order as transmitted, rejecting the order, or conditionally accepting the order.

If the order is accepted as transmitted, the assignment process is completed and the appraiser performs the assignment. If the order is rejected or conditionally accepted, the order is then pushed to one of our representatives to manually resolve the open issue. If the selected appraiser has rejected the order because he/she cannot fit it into their schedule, our representative will look for another appraiser to perform the assignment. If the order has been conditionally accepted, such as the appraiser cannot meet the due date, but can complete the order in an extra two or three days, our representative will determine whether we can allow the additional time and will either confirm the extended turntime or look for another appraiser who can meet the originally scheduled due date.

Appraisers are eligible for auto-assign if they maintain a performance score of 2.5 or higher on a 4 point scale. Auto-assign appraisers must also have available capacity in our system to get an order through this methodology. Each approved appraiser with iMortgage Services has a maximum allowable number of open orders. Once that maximum is reached, they are not eligible to receive additional assignments until they have reduced their open orders to something less than their maximum orders.

The manual assignment process works much the same as the auto-assign process with the exception that one of our representatives makes the selection. The order assignment screen presents our representative with information that lists the available appraisers and provides information regarding each appraiser’s score for that product type as well as their proximity to the subject property. Our representative will call someone from that pick list until they are able to find an appraiser to accept the assignment. Once the order is accepted, the assignment process is concluded and the assignment proceeds to completion.

iMortgage Services does not send single orders to multiple appraisers simultaneously in a competitive bid process. Each order is offered to an individual appraiser until it is accepted and performed to completion.

Appraiser Fee Methodology

Fees paid to appraisers are determined through multiple methodologies. We have a large origination client that works on a cost plus basis. This client has performed their own fee survey nationally and

developed the data on a county/parish basis for each state. We can't speak to the details of the development of their survey as it was completed without our involvement. They have provided us with a minimum appraisal fee for each geographic market that we pay appraisers. The AMC service fee is a flat amount that we add to the appraiser's fee to develop a client fee for that assignment. Should the scope of work on a particular order be such that the fee is not viewed as adequate, the appraiser can counter propose a revised fee that we will take back to the client for approval. Our experience is that when the scope of work is explained, the fee increase is approved by the client.

The second methodology that we use to determine appraiser fees is our own experience in each market. Our fee experience in each market around the country is captured within our operating system and that provides a basis for making an offer to a specific appraiser for a particular order. Additionally, some of our auto-assign appraisers have established basic fee and service delivery standards with us so that when orders are auto-assigned to them, there is less probability of it being kicked back to us. However, even in the auto-assign environment, the appraiser can notify us that the scope of work warrants a fee adjustment above the level of the offer.

The final and common methodology is that when we contact an appraiser for an order, they quote their fee to us for completing the assignment. That fee becomes the amount that we will pay the appraiser for the assignment. As was previously mentioned, this information is captured in our system for use in future assignments. Complex and unusual assignment fees are generally quoted by the appraiser based on the additional work associated with the assignment and we contact our client for a fee adjustment.

With respect to the two presumptions contained in the Federal Reserve's Interim Final Rule, iMortgage Services operates under both presumptions. Our appraisal fee determination under the second presumption is based on a national fee study performed by the previously referenced client. While we did not provide data inputs to that survey nor did we participate in the aggregation and the development of the actual fees, we cannot specifically comment on the development of those appraisal fees.

Referencing the Federal Reserve Board's Interim Final Rule Section 226.42(f), the rule states: To facilitate compliance, the rule includes two presumptions of compliance for the customary and reasonable compensation requirement. First, a creditor and its agent are presumed to comply with the rule if the fee paid to the appraiser is reasonably related to the recent rates paid for appraisal services in the relevant geographic market, and the creditor or agent has adjusted the recent rate after taking into account specific factors, such as the type of property, the scope of work, and the appraiser's qualifications and experience. To qualify for this presumption, the creditor must not have engaged in any anti-competitive actions in violation of state or federal laws that affect the appraisal fee, such as price fixing or restricting other from entering the market.

Second, a creditor and its agent are also presumed to comply with the interim final rule if they determine the fee by relying on third-party information, such as a government agency fee schedule, an academic study, or an independent private-sector survey. Consistent with the Dodd-Fran Act's

requirements, third party survey and similar studies must not include fees paid to appraisers by appraisal management companies.

It is our position that iMortgage Services has not engaged in anti-competitive actions with respect to appraisal fees and much of our fee levels are driven by the appraisers themselves as they quote their fees based on their specific knowledge of the property, the market, the appraisal problem at hand, and the amount of research and analysis necessary to solve that problem. Therefore, our appraiser fee development is driven by current market data associated with the specific types of assignments and extracted from current market participants.

Our concern with broad fee studies is that they are general in nature and do not specifically encompass the scope of work associated with an individual mortgage finance assignment. Additionally, fee studies that specifically exclude appraisal management companies in their composition creates a potential bias due to the significant participation share of AMC's in the mortgage finance market. A broad fee study that excludes AMC data is likely to include a material component of residential appraisal work that is not related to real estate mortgage finance and therefore have a different scope of work as compared to a mortgage related valuation.

Consequently, based on the current prevailing federal statute, our position is that iMortgage Services is currently in compliance with the letter and spirit of the regulations pertaining to appraiser compensation. With respect to any public fee study, we would request that the applicable methodology and sampling detail be supplied along with the final survey data so that we would have a better understanding of both the statistical validity and the granular data points that were used in its development. We believe that complete transparency of any public fee study is a primary prerequisite in advance of its implementation.

Appraiser Scoring

iMortgage Services does utilize an appraiser scoring system to rank appraiser performance. The system is based on a 4 point system with 4 being the highest and 0 being the lowest. The score keys off of service levels and product quality. As was previously mentioned, for an appraiser to be eligible for auto-assign, he/she must maintain a score of 2.5 or higher. The service component of the score is directly tied to turntime on the order. The quality component is based on QA results once the appraiser delivers the report to iMortgage Services and prior to delivery to the client.

The scoring system is designed to give less weight to clerical issues in the report such as a missed checkbox and greater weight to material valuation issues such as an incorrect or missing adjustment. The score is further delineated by product type, as there are appraisers that are more proficient on single family properties as compared to multi-family properties or review products. The scoring system is designed to allow us to identify the appraisers who are best suited to a particular order type.

The scoring system becomes less used in the sparsely populated areas based on the likelihood of low volume and extended turntimes. Therefore, auto-assign is not used as often in rural settings because the scoring tends to be lower than our minimum threshold and fewer providers.

Gramm-Leach-Bliley Compliance Agreement

The Federal Trade Commission has issued Standards for safeguarding customer information (16 C.F.R. Parts 314) (the "Safeguards Rule") pursuant to the GRAMM-LEACH-BLILEY ACT of 1999. This Safeguards Rule requires residential funding corporations to oversee its management companies and the management companies to oversee their vendor partners by taking steps to select and retain providers that are capable of maintaining appropriate safeguards for customer information and to bind these providers by contract to implement and maintain such safeguards. As a management company for residential funding corporations, iMortgage Services must implement standards for safeguarding customer information.

As a vendor partner for iMortgage Service, you agree that the following terms will apply to all contracts for services between us:

1. Minimum Safeguards. In order to allow iMortgage Services to meet its obligations under the Safeguards Rule, you agree:

a. To hold all Customer Information (defined below) in strict confidence and not to use or to disclose Customer Information to a third party. If it becomes necessary to disclose Customer Information to a third party to fulfill your obligations to iMortgage Services, you must obtain our written permission before doing so. If you believe you are required by law to disclose Customer Information to a third party, you must, to the extent permitted by law, notify us prior to making the disclosure to provide us an opportunity to contest the disclosure with the appropriate authorities.

b. To restrict access to our Customer Information only to your employees, agents or representatives ("Employees") who have a need to know the information to perform their jobs;

c. To implement and maintain an information security program that consists of reasonable administrative, technical, and physical safeguards necessary to ensure Customer Information is safe from loss, theft, unauthorized access, copying, modification, use or disclosure during your use, transmission or storage of it;

d. To promptly report to us any actual or suspected breach of the confidentiality or security of any Customer Information along with any information reasonably necessary for us to determine the nature of the breach;

e. To allow us to review and assess your information security program, and, if we request you to do so, to make reasonable changes to your information security program to ensure you are capable of maintaining safeguards that are appropriate for the Customer Information at issue;

f. At our request, to destroy or return all Customer Information in your possession and certify to us that you have done so. (For Appraisal Vendor Partners: to the extent possible in compliance with Uniform Standards of Professional Appraisal Practice (USPAP) regulations). If you destroy Customer Information rather than return it to us, you agree to do so using commercially reasonable methods approved by us;

g. If you use third parties to help you provide services to us, to first require those third parties to agree in writing to provide the same protections set forth in this Agreement; and

h. To safeguard information or items we give you in order to allow you to access Consumer Information, our computer networks, or our premises or those of other service providers, such as keycards, codes, usernames, passwords, keys, badges, etc., as well as information that, if disclosed, would compromise the security of Consumer Information, such as the designs of our networks, information controls, or design of our computer systems.

2. Scope of Agreement. This Agreement automatically amends all contracts between us, including any extensions, amendments, renewals or modifications of such contracts. If there is a conflict between the terms of this Agreement and any other contract between us, this Agreement will control as to the subject matter of this Agreement unless

a. this Agreement is expressly referenced and contradicted in a contract entered in to after the effective date of this Agreement, or (b) the other contract establishes additional rights for us or imposes additional duties or restrictions on you. Your obligations described in this Agreement are continuous and will survive any termination, cancellation, expiration, or other conclusion of this Agreement or any other contract between us.

3. Definitions.

a. The term Customer Information used throughout this Agreement includes "customer information," as defined in the Safeguards Rule, as well as any information that identifies a consumer and information from which a consumer's identity can be ascertained, either from the information itself or by combining the information with information from other sources. Examples of Customer Information include a consumer's name, address, social security number, loan numbers, account numbers, loan balances, credit report information, application information, drivers license number, identification number, etc.

- b. The terms "you" and "your" refer to the entity executing this Agreement.
- c. The terms "we," "our," "us," and "iMortgage Services" refer to the management company of iMortgage Services LLC
4. **Effective Date.** This Agreement is effective upon execution by the vendor partner or January 1, 2005, whichever date is earlier ("Effective Date"). The parties hereby enter into this Agreement as of the Effective Date.

Vendor Partner Agreement

In consideration of the mutual covenants contained, iMortgage Services LLC (iMS) or its assigns, and the Agreeing Vendor Partner (Vendor), intending to be legally bound, hereby agree, effective immediately upon acceptance.

1. iMS hereby engages vendor to perform various services ("services").
2. For these services, iMS shall pay vendor the fees that were negotiated between iMS and vendor. Fees will be paid by check, mailed 30-45 days post the 15th of the following month that all work required was completed.
3. Vendor agrees to enter into and be bound by the terms and conditions of a Vendor Confidentiality Agreement.
4. In the performance of the services hereunder, Vendor agrees that at all times he or she is acting and performing as an independent contractor. Vendor understands and agrees that iMS shall not withhold from payments provided hereunder any funds for income tax, unemployment insurance, social security, or any other withholding pursuant to any law or requirement of any governmental body for Vendor. Vendor agrees to indemnify iMS for any amount that iMS may be required to pay as a result of any determination that Vendor is an iMS employee to the extent that iMS would have had to withhold funds from payments made by iMS hereunder if Vendor had in fact been engaged as an employee from the date thereof, plus any penalties relating thereto.
5. Vendor agrees:
 - (a) that it has and shall continue to maintain during the entire term of this Agreement a current license, if applicable and abide by the below approval requirements set by iMS. Appraisers, brokers, salespersons, and notaries must maintain a current license at all times when accepting orders for collateral assessment and/or closing services from iMS;
 - a. **Appraisers** - iMS requires that an appraiser vendor partner be state licensed or above, have at least 3 years of appraising experience, be active with the ASC, AQB compliant and not have any prior history of disciplinary action. (Required documents & agreements: W-9, current license (s) for all states licensed, resume showing appraisal experience, accept vendor agreement in online profile (annually), accept AIR agreement in online profile (annually), E&O (where applicable)). Current or prior disciplinary action notifications obtained by the ASC or Applicable State board will result in the decline of an account at the company level.
 - b. **Real Estate Agent** - iMS requires that a BPO vendor partner be a licensed salesperson or broker with at least 1 year of BPO experience, be active with the state board, and not have any noted current or prior disciplinary action. (Required documents & agreements: W-9, current license (s) for all states licensed (state board reports are acceptable), resume showing real estate and BPO experience, accept vendor agreement in online profile (annually), E&O (where applicable)). Current or prior disciplinary action notifications obtained by Applicable State boards will result in the decline of an account at the company level.
 - c. **Closing Agent** - iMS requires that a closing vendor partner be a certified notary with at least 3 years of closing experience or in a related real estate background. If an applicant does not have 3 years experience and can prove they have signed a minimum of 100 witness only signings we will make considerations for approval. (Required documents & agreements: W-9, current license (s) for all states licensed, resume showing witness only signing experience, accept vendor agreement in online profile (annually), E&O (where applicable)).
 - d. **Abstractor** - Required documents & agreements: W-9, resume showing title abstract

experience, accept vendor agreement in online profile (annually), E&O (where applicable).

- e. **Attorney** - Required documents & agreements: W-9, Certification showing proof of passing the bar exam, resume or company history, accept vendor agreement in online profile (annually), E&O.

(b) that it will not accept work in a state in which it does not hold a current license;

(c) that it will accept work only once thoroughly reviewing the letter of engagement, checklists where applicable, and any exhibits pertaining to the work. It will understand by accepting the due dates, fees, terms, and assignment requirements in the letter of engagement that vendor is bound by these terms and payment is contingent upon compliance.

(d) that it will accept work only if it is competent to perform the work assigned, and will immediately reject any work for which it is not qualified, to allow iMS to promptly reassign the work.

6. Vendor agrees to supply by uploading to vendor profile all information requested by iMS for the purposes of maintaining up to date records. iMS will make requests for information from time to time regarding, licensing, insurance, tax information, and other information that iMS deems important in determining Vendors ability to perform assigned work for iMS and Vendor agrees to supply such information requested and maintain iMS approval requirements as noted above in section 5 (a;a, a;b, a;c, a;d, a;c).

7. Vendor represents and warrants that:

(a) Services will conform to the specifications and performance standards as required by iMS;

(b) Vendor will perform iMS's work accurately provided that iMS supplies accurate data and information;

(c) Vendor will exercise due care in provision of Services;

(d) It will, at all times during the performance of Services, maintain a current vendor license; All information supplied by Vendor to iMS for the purposes of establishing and maintaining their Vendor record must be true, correct and meet iMS approval requirements.

8. Vendor agrees to carry General Liability and Errors and Omissions insurance at levels deemed appropriate by Vendor and maintain current copies in online profile.

9. iMS or Vendor may terminate this Agreement at any time. Nothing contained in this Agreement will obligate iMS to assign any work or request services from the Vendor and nothing contained in this Agreement obligates Vendor to accept work assignments. iMS and Vendor agree that this Agreement is 'At Will'.

10. If any provision of this agreement is held to be unenforceable or invalid, the other provisions shall continue in full force and effect.

11. This Agreement will be governed by the substantive laws of the State of Pennsylvania, without reference to provisions relating to conflict of laws.

12. The failure of either party to insist on strict performance of any of the provisions hereunder shall not be construed as the waiver of any subsequent default of a similar nature.

13. The prevailing party in arbitration, suit or action brought against the other party to enforce the terms of this Agreement or any rights or obligations hereunder, shall be entitled to receive its reasonable costs, expenses and attorney's fees of bringing such arbitration, suit or action.

14. All rights and obligations of the parties under this Agreement that, by their nature, do not terminate with the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement.

15. This Agreement shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties hereto, but it may not be assigned in whole or in part by either party without the other's prior written consent.

16. To the extent possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Agreement shall be held to be invalid, illegal or unenforceable, such provision shall be ineffective only to the extent of such invalidity, illegality, or unenforceability, without rendering invalid, illegal, or unenforceable the remainder of such provision or the remaining provisions of this Agreement.

17. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes any prior agreements or representations relating to such subject matter that are not set forth herein.

18. This Agreement may be amended only in writing executed by the parties hereto.

Vendor Partner Agreement of Confidentiality

1. Non-Disclosure of Trade Secrets and Confidential Business Information

During the course of my work assigned by iMS, I will have access to and become familiar with various trade secrets consisting of inventions, formulas, patterns, devices, compilations, computer programs, methods, techniques and processes owned by iMS and/or used in the operation of iMS's business. I agree not to disclose to others, or take or use for my own purposes or purposes of others, any trade secrets, confidential information or data used in the operation of iMS's business. I agree that these restrictions also shall apply to: (1) Information, trade secrets, or data belonging to third parties in iMS's possession; and (2) Information, trade secrets or data conceived, originated, discovered or developed by me in the course of my work assigned by iMS or through the use of iMS time, materials, facilities or trade secret information. I recognize that this obligation applies not only to technical information, but also to confidential business information relating to iMS's financial arrangements (such as stock issues, refinancing, mergers or acquisitions), business plans (such as planned products, services or promotions), sales manuals, customer or client lists, accounts and the like, the disclosure of which would be harmful to iMS's interests and which is not generally ascertainable by proper means, has limited disclosure within iMS and is treated or designated as confidential information by iMS. For the purposes of this Agreement, trade secret includes all information which derives independent economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and the subject of efforts to maintain its secrecy that are reasonable under the circumstances. No obligation of confidentiality applies to any information that the

(a) Already possesses without obligation of confidentiality;

(b) develops independently; or

(g) rightfully receive without obligation of confidentiality from a third party. No obligation of confidentiality applies to any information that is, or becomes, publicly available without breach of this Agreement.

Additionally, Vendor agrees to strictly adhere to all provisions of the Gramm-Leach-Bliley Financial Modernization Act of 1999 in the protection of consumers' personal financial information. Vendor further agrees to use utmost care to protect any customer information in its possession.

2. Return of iMS Property

I agree that upon termination of my vendor relationship, I shall immediately return to iMS all property to iMS which may be in my possession, including but not limited to, all original documents and copies of documents containing iMS trade secrets, confidential information or data that may be in my possession or control.

3. Solicitation Of Employees

During my vendor relationship with iMS, I agree not to engage in any employment, self-employment or consulting activity, whether for compensation or no compensation which: 1) would conflict with the interests of iMS; or 2) would impair my ability to satisfactorily perform by obligations to iMS. During the course of my vendor relationship and for one (1) year thereafter, I will not induce, hire or encourage any employee to terminate employment with iMS or to directly or indirectly solicit the retention or employment of employees or contractors of iMS.

4. Miscellaneous Provisions

(a) This Agreement constitutes the entire agreement between iMS and me and shall supersede all previous agreements by and between iMS and me relating to the subject matter hereof. This Agreement may be modified only upon a written agreement duly signed by both parties.

(b) The parties to this Agreement agree that the laws of the State of Pennsylvania shall govern the interpretation and enforcement of this Agreement, and that if any provision of this Agreement is held to be invalid, void or unenforceable for any reason, the remaining provisions shall nevertheless continue in full force and effect.

(c) In any action brought to enforce any provision(s) of this Agreement, in addition to any other relief granted, the prevailing party shall recover its reasonable costs of enforcement, including but without limitation, costs and reasonable attorneys' fees incurred therein.

A COMPLETE COPY OF THE ABOVE CAN BE LOCATED AT

<http://www.imortgageservices.com/itimes/vagree.pdf>

Appraiser Independence Requirements

- I hereby acknowledge that, as a vendor partner of iMortgage Services, LLC,
- That I am licensed and in good standing
- That the appraisal products I provide are Appraiser Independence Requirements compliant, according to the rigorous standards of objectivity, without influence on value or misrepresentation of the subject property, comparables or the general market conditions.
- That I will not communicate with the Lender/Client, and if I am contacted by the Lender/Client, I will notify iMS immediately
- Nor will I attempt to obtain value/loan information from the borrower or property owner
- Nor am I owned in whole or part by the lender requesting the valuation report