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Specializing in Appraisal Review

L-CAM COMPANY PROFILE, POLICIES and OPERATING PROCEDURES

L-CAM is a real estate services company specializing in providing professional real estate Appraisal Standard 3-4 Review Services for all property types nationwide.

Our Mission is to provide the highest quality appraisal review services ensuring both regulatory compliance and adherence to the client bank's internal policies and procedures thereby providing effective oversight and independent control over the appraisal process.

Our promise is to provide these services with the highest level of professionalism and quality.

L-CAM Established: Briefly, L-CAM was founded in 2006 by George Sikorski, MAI, AI-GRS and Robert Bruce Landis, CG.

George Sikorski, MAI, AI-GRS is an experienced valuation expert with over 50 years of appraisal and review experience. George was a commercial appraiser with the firms of Hogan & Farwell, Inc and L.J. Sheridan Co. for 15 years, then started his own commercial appraisal business which ran for 6 years until he was asked to serve as the Regional Chief Appraiser with Savings of America (Home Savings Corp.). After 4 years he was hired to be the Chief Appraiser of LaSalle Bank, N.A. for an additional 15 years. He began L-CAM and remains a partner since 2006, He is past President of the Chicago Chapter of the Appraisal Institute (2004/2005) and was the first Chairman of Chicago's Chapter of Past President's Committee and was the first appraiser in Illinois to receive the Appraisal Institute's AI-GRS reviewer designation.

Since 1981, **Robert Landis** has been an independent fee appraiser offering appraisal and appraisal review services in the three major Commercial markets of Los Angeles, Nashville and Chicago before co-creating L-CAM. Robert is experienced in expert testimony, bank review, policy & procedure, consulting and related appraisal services. He is the co-founder of FIVA (FIVA2.com), a national platform that provides chief appraisers, chief credit officers and valuation managers, and a resource for appraisal department best practices.

LCAM's valuation services include:

- Administrating and Reviewing Real Estate Participation Portfolios.
- Reviewing Appraisals and Evaluations of all property types, ensuring compliance with FIRREA & USPAP.
- Developing Appraisal Policies and Procedures tailored to organizational size.
- Providing training to financial institutions including administrators, reviewers, lenders and credit staff on Appraisals, Appraisal Reviews and FIRREA compliance.
- Assisting financial institutions with managing appraisal vendor lists in compliance with FIRREA.
- Affiliate selection and oversight

L-CAM relies on a highly experienced group of professional review affiliates nationwide. Our affiliates typically have over 25 years of appraisal/review experience. LCAM can provide the highest level of valuation personnel and services. A person considered for an Affiliate Reviewer position with L-CAM typically has distinguished themselves in their local and regional markets and will be either directly known by L-CAM management and their affiliates or recommended by industry leaders.

Affiliate Reviewer qualifications include:

- A minimum of 20 Years appraisal and review experience.
- State Certified, licensed appraisers with MAI and/or the Appraisal Institute review designation (AI-GRS or AI-RRS) is highly recommended.
- Experience and proven ability to respectfully and diplomatically dialogue with appraisers regarding LCAM revision requests.

L-CAM requires each affiliate to have the appropriate level of insurance. Each affiliate provides proof of insurability by providing a Policy Declaration Page on an annual basis. The minimum requirement for Limits of Liability is \$1,000,000. At the beginning of each year, L-CAM will check the status of each reviewer's license and insurance to determine that each document is active and in good standing.

Quality Control

A random number of Affiliate's completed reviews will be examined by one of the partners. This examination will be made to determine whether the reviewers are completing their work in accordance with USPAP, FIRREA, the financial institution's policies and procedures, and with LCAM standards. This process is required to keep L-CAM reviews at a high-quality level. We offer a verbal or written follow-up with the reviewers, regarding results of the examination and we offer recommendations, if needed, for additional education and for monitoring of future progress if required. If our standards are not met, we are careful to remove the reviewer from future assignments. Please see additional Quality Control information attached to this document

Appraiser Grading

An important part of the Review process is the grading of the work presented in the appraisal report. We include a grading sheet at the end of each Review Assignment. Our grading is used by our clients to comply with FIRREA regulations and to reflect our opinion as to the quality of the appraisal and the promptness of the return of our revisions requests. We are available to present our opinions of the appraiser's competency upon request.

Responsibilities of a Reviewer

The reviewer must have the knowledge and experience needed to identify and perform the scope of work necessary to produce credible review assignment results. We understand that a proper review is the documentation required by the regulators as proof that the bank is doing the proper due diligence with respect to the appropriate loan processing requirements for safe and sound banking.

Please use the Reviewer's check list attached to this document that outlines the key elements to evaluate the appraisal report so that there is consistency within our review process.

It is not the responsibility of the reviewer to decide if the value of the property is correct but rather to determine if the logic, the supporting documentation and the methodology provided in the appraisal report is sufficient to support the concluded appraised value.



The most important part of our review process when issues are discovered is to discuss with or preferably write to the appraiser and cc the client bank and L-CAM about any weaknesses, or issues or problems found in the appraisal. We should include within the review information about the issues and that they were resolved or why they were not. This is the reason why we were hired. It is highly recommended, for documentation purposes, that emails be the main form of communication with the appraiser, L-CAM or the client bank. The emails should be included in the addendum of the review.

Potential Appraised Value Change

The reviewer must notify the client bank and L-CAM immediately, via email, if the appraised value will change or if the value might possibly change because of any revisions to the report. This is a very sensitive issue for our client banks. If the appraiser prepared a very good report, the reviewer should let the appraiser know he/she has done a good job by notifying the appraiser either by a phone call or by an email note. We believe that this communication is important!

Appraiser vis-a-vis Reviewer

At all times remember that the appraiser is the appraiser of the property – the **reviewer is not the appraiser**. The appraiser “opines on value” the reviewer does not. The reviewer opines on the quality and reliability of the appraisal. Do not include any comment or inferral that can be interpreted as you agree to the value. Our assignment is not to determine if the value conclusions are correct but to critique the appraisal for the completeness of the appraisal, adequacy & relevance of the data used, appropriateness of the methods/techniques used and the logic of the assumptions made and the propriety of any adjustments. Does the appraisal make sense? Is it logical? Does it comply with FIRREA, with USPAP and with good appraisal practice? If there are problems with logic or compliance with regulations (either federal or appraisal) or with any approach to value, we must contact the appraiser and have the appraiser make the changes. The reviewer should never change values unless first approved by L-CAM first and then by the client bank. We believe that at all times the reviewer should be respectful and tactful when talking to or when writing to the appraiser.

Requesting Appraisal Revisions

At all times the reviewer should remember that the appraiser is the appraiser of the property – the reviewer is not the appraiser. The reviewer’s job is to appraise the appraisal. Does the appraisal make sense? Is it logical? Does it comply with FIRREA, with USPAP and with good appraisal practice? If the report appears to have problems with logic or with regulations or with inappropriate or inadequate approaches to value or with methodology, a revision or a clarification request will be made by the reviewer and sent by email to the appraiser(s) to consider making report changes or provide clarification of the issues that the reviewer considers to be a problem.

All reviews must develop opinions as to the Completeness, Accuracy, Adequacy, Relevance and Reasonableness of the appraisal within the reviewer’s scope of work. Most if not all reports have problems. These problems could be major or minor in nature. A major error is one that impacts value or an approach to value or impacts the logic, clarity, facts or consistency within the report. A minor problem can be as small as a misspelled word or an incorrect date. Minor issues should be commented on in the review but do not have to be corrected. Of course, as USPAP states in SR1-1 (c) “This is a judgement of the reviewer. However, if a report contains many minor problems, this could be a serious problem as well. It is important that when the problem is described to the appraiser or to the client, it should be stated clearly and considerately

and be fully developed including the reasoning about why there is a problem is appropriate. Comments should be carefully written when a noted problem is serious, in that it will impact value, clarity or the logic of the report.

When the reviewer needs to contact the appraiser for any purpose, we will follow the Client's preferred procedures. The reviewers will identify themselves as working for L-CAM and engaged by the client bank to do the review. If needed, a letter will be provided by L-CAM or by the the client bank that introduces the reviewer.

Revision Request Process

When contacting the appraiser for any revisions, a paper trail should be created. This paper trail is needed for two reasons:

- 1) It provides communication between the reviewer and appraiser about the issues in the report and
- 2) it provides the timeline for the change/revision request and when the revisions were received.

The communications between the appraiser and reviewer will be attached within the Addendum at the end of the review. This paper trail will include any email correspondence with the appraiser or if contacted by phone, a memo indicating the date, time, and a short summary of the phone conversation. The review document is also considered to be the work file. For this reason, all documents and supporting information should be included in the review addendum.

Delays in completing a review on time is always a problem. The bank can often schedule a closing time a day or two after the expected review due date. Delaying a closing is a serious issue for the borrower, the bank and for us. If the value will change or if the value might possibly change because of revisions in the report, we must notify the bank immediately. This a very sensitive issue and the client bank will be notified immediately of any conditions that might impair the closing in a timely manner.

The appraiser should be informed to send any revised report through the proper client channel. Our reviewers will alert the bank anytime there is a need for revisions in the report. Any reviewer email communication with the appraiser should be sent to both the bank and to L-Cam.

If the appraisal **IS NOT** addressed to the client bank, only our client bank mustl be notified of what is wrong with the report. We assume the client bank will get permission to communicate problems to the appraiser. Our client bank will contact the bank to whom the appraisal is addressed. In this case, we must not contact the appraiser without the client bank's permission. Again, in this case, the appraiser has the right not to talk to you or to answer any questions if you do not represent the bank that ordered the report. At a minimum the client bank will be notified of any problems in the appraisal and its effect on the credibility and value support.

Reviewer Fees for Extended Work Time

If the reviewer spends extra time with the review process or with the appraiser working on revisions, the reviewer will notify L-CAM about this additional time and possibly an additional fee. L-CAM will talk with the client bank about any increase in the normal fee sas may be appropriate.



Rush Review Flow Process

All appraisal review assignments received from the client are assigned by L-CAM. If the reviewer has been asked to complete a rush review (less than 5 days), the reviewer will try to determine if there are problems with the report within 24-36 hours of receipt of the appraisal. If there are problems, the reviewer will immediately contact L-CAM and the bank regarding the reissues and the revised due date of the review if any.

Appraisal Grading System for LCAM

FIRREA regulation requires the bank to establish standards and procedures for the ongoing monitoring of their approved appraisers. In this regard and to assist the bank with this requirement, L-CAM has established a Reviewer Evaluation Criteria for Fee Appraisers form which should be completed after every review. The form is self-explanatory and the Grade Point and Comments are the two columns at the right end of the form. Any comments are optional. The Point Totals are calculated automatically at the bottom of the form. While this is a simple form, great care and thought should be given to the appropriate score for the appraiser and for the appraisal reviewed.

Quality Control of Reviews

Every quarter a random number of Affiliate's completed reviews will be examined by one of the L-CAM partners. This examination will be made to determine whether the reviewers are completing their work in accordance with L-CAM and client standards. This process is required to keep L-CAM reviews at a high-quality level.

Annual Determination of Qualifications

Each L-CAM reviewer affiliate will supply a copy of their State License along with a copy of their Insurance Policy Declaration Page on an annual basis within January of each year and when the new license or insurance policy is obtained. L-CAM also will check the status of each reviewer's license twice annually (January and July) to determine that the license is active and is in good standing.

References

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