



To: All St. Francis Mortgage Corporation/Baytree Lending Clients

From: Dave Schalk – Division Manager

Re: Appraisal Policies and Procedures to Ensure Independent Collateral Evaluation

Date: July 24, 2006

Collateral evaluation is a crucial part of any real estate transaction. The accurate assessment of value requires the selection of qualified, independent appraisers.

As an approved client of SFMC/BTL you are required to maintain policies and procedures to ensure appraisals ordered by employees of your organization are performed by independent appraisers selected solely on their qualifications. Under no circumstances should an appraiser perform a collateral evaluation if they are influenced in any way by a party associated with the transaction.

In order to ensure independence within the appraisal and real estate lending process SFMC/BTL utilizes internal controls and public information to perform in-depth review procedures on appraisals ordered by agents of the company, such as brokers, to determine whether an appraiser exhibits any indications of bias or a vested interest in a particular transaction. We hold the right to reject any appraisal we feel has compromised the requirement of independence in the selection of an appraiser or final evaluation of the collateral.

Please help us in our efforts to maintain high standards of quality and ethics in the real estate lending process by ensuring your organization has policies and procedures in place to address the independent selection and performance of appraisals.