

Appraisal Management Legislation:

Working Together To Improve the Appraisal Profession

Historical Overview

- **Appraisal Management Companies (AMCs) have been in existence for 25 years.**
- **The Home Valuation Code of Conduct allows a lender to outsource the appraisal process, however, AMCs are not a requirement of compliance with the HVCC.**
- **In 2009, six states passed legislation regarding AMCs.**
 - **Hawaii was the seventh**
- **In 2010, twenty states have considered legislation regarding AMCs.**
 - **It is projected that we will have 19 states that will pass legislation by the end of 2010.**

AMC's View of Legislation

- **AMCs have been actively involved in negotiating reasonable legislation at both the Federal and State level regarding AMC registration.**
- **Of all of the AMC bills that have passed in 2010, the AMC community has supported the vast majority of final negotiated compromise legislation.**
- **AMCs believe that evaluating potential legislation with all relevant stakeholders is the key to successful legislation.**
 - **Appraisers/ Appraiser Coalitions**
 - **AMCs**
 - **Realtors**
 - **Appraisal Institute**
 - **Banking Industry (and other users of AMC services)**

A Common Goal

- In 2009-2010, three different scenarios have been seen for the introduction of AMC bills.
 - Option #1 – Full partnership and AMC support from the drafting phase prior to introduction.
 - Option #2 – Opposition to the original bill and support via a negotiated bill through a stakeholder session.
 - Option #3 - Direct opposition to the bill by AMCs.
- It is the intention of AMCs to support precedent state legislation in all fifty states immediately.
 - Washington
 - Oklahoma
 - Tennessee
 - Missouri (?)

What is undisputed in legislation?

- **Requiring AMCs to disclose to state regulators who they are and who controls the company.**
 - **No owners/managers who have lost appraisal licenses.**
 - **Consent to service of process for out of state companies.**
 - **Contact information for a designated “controlling person” to be the point of contact for the board.**
 - **Background checks.**
- **Certifications to require certain systems to be in place for all AMCs.**
 - **Working with licensed appraisers in good standing.**
 - **Having review functions to validate that appraisals are being done according to USPAP.**
 - **Record retention.**
- **The ability to sanction and/or stop an appraisal management company from doing business within a state.**
- **Standard undue influence items referenced within the HVCC.**

What are some of the disputed items?

- **Definition of an AMC. What is an AMC?**
 - **Appraiser Shops vs. Appraisal Management Companies**
 - Here are some exemptions taken from state bills:
 - Individuals or companies who exclusively employ appraisers on an employer-employee basis and ensure that the appraisals completed comply with USPAP.
 - Individuals or companies that enter into an agreement with an independent contract appraiser for the performance of appraisals that the contracting entity cannot complete either because of the location or type of property in question.
- **Registration versus regulation. What are the major differences?**
 - Ability to set rules on the standards and practices for AMCs.
 - Ability to set rules regarding the operations of an AMC.
 - Registration/licensing programs are the ultimate form of regulation.

What are some of the disputed items?

- **Requirements to own/operate an AMC:**
 - All officers/directors must be certified appraisers.
 - Controlling person must be a certified appraiser in the State.
 - All owners must be certified appraisers.
 - Role of the controlling person.
- **Where should be the responsible entity to oversee Appraisal Management Companies?**
 - **What are some of the concerns?**
 - Funding
 - Perceived conflicts of interests
 - Technical Expertise
 - **What are some of the options?**
 - Appraisal Boards
 - Commerce Departments
 - Department of Consumer Business Services
 - Commissioner of Consumer Protection
 - Director of Licensing
 - Department of Banking/Financial Services

What are some of the disputed items?

- **The role of the appraiser versus the role of the AMC.**
 - Regulation of “appraisal management services” and not appraisal related items.
 - Geographic competency.
- **Disclosure of appraisal fees.**
 - The client of an AMC is a lender and not a consumer.
 - AMCs do not prepare or provide HUD-1 states or any good faith estimates.
 - AMCs are willing to disclose to their clients the amount the appraiser was paid, however, can not force clients to act upon this information.
 - AMCs are willing to allow appraisers to disclose their fees in the body of the reports.
 - Do appraisers want this?
 - Utah/Nevada rulemaking concerns.

What are some of the disputed items?

- **Dispute resolution.**
 - An appraiser is the only person who can change the value within an appraisal report.
 - AMCs should not be put in a position of violating federal policy or lender policy in regards to dispute resolution.
- **Surety bonds. What is the purpose of the surety bond?**
 - To prove financial stability for business wishing to obtain a license/registration.
 - To ensure that regulatory bodies can collect the fees they levy upon their registrants.
 - To ensure that appraisers are paid for work they have completed.
 - Is it the role of a government entity to act as a collection agent for private industry?

Where do we go from here?

- **AMCs support federal legislation dealing with AMC registration and regulation.**
 - **Minor Modifications to 1728/4173**
- **The AMC community has offered to the Appraisal Institute to craft a revised “model act” prior to the next legislative session.**
- **The AMC community is willing to openly support reasonable and precedent bills in any additional states wishing to consider legislation in 2010 or 2011.**
- **Working together throughout the entire legislative and regulatory process will ensure the continued partnership between regulatory officials and the AMC community.**

Tim O'Brien (tim.obrien@rels.info)

952-345-4992