AMC AUDIT: SCOPE AND PROCEDURES

John D. McIntyre, SRA
The John McIntyre Group, Ltd.
info@johnmcintyregroup.com
AMC Audit: Scope and Procedures
Many states have laws that will need to be revisited to ensure authority to audit is provided to State Regulator.

Many boards will have to draft new regulations to clarify their authority.

State Regulators can choose to have more stringent rules than the federal minimums.

It would be a best practice for State Regulators to have a system in place to refer issues uncovered to the banking regulators charged with enforcement of the Interagency Appraisal and Evaluation Guidelines (IAEG).
The recently released Federal AMC Regulations are consistent with current Appraisal Independence Requirements within the Interagency Appraisal and Evaluation Guidelines (IAEG).

Lender compliance to IAEG is enforced through other channels.

Regulators should be prepared to direct Appraisal Independence complaints to the proper channel when an AMC is not involved.
§ 34.213 Appraisal management company registration
Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must...

(b)(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;
Independent of the Transaction
Who Is Independent of the Transaction?

What are AMCs registered within your jurisdiction doing to confirm:

- That the appraiser remains independent through well-defined channels to report 36 month prior service disclosure, before accepting the assignment
- That the appraiser is not rewarded or disciplined based on success or failure of the subsequent loan closing, or series of loan closings over time
- If an AMC uses both staff and panel appraisers, that assignments are not provided to staff when using a panelist appraiser would create a more credible valuation
Requisite Education
What is Requisite Education?

- What are AMCs registered within your jurisdiction doing to confirm:
  - That the appraiser panel acceptance process includes confirmation of appraiser education?
  - How different types of trade and formal education are applied in the panel ranking system?
  - How different types of trade and formal education are applied to the engagement process?
Requisite Expertise

Expertise
/eks-per-tyz/

def: Special skill or knowledge in a particular subject. eg. He has expertise in his field of molecular science.
What are AMCs registered within your jurisdiction doing to confirm:

- That the appraiser panel acceptance process includes confirmation of appraiser expertise?
- How are different types of appraiser expertise applied in the panel ranking system?
- How are different types of appraiser expertise applied to the engagement process?
Requisite Experience

Experience is gained by not doing the same thing twice!
What are AMCs registered within your jurisdiction doing to confirm:

- That the appraiser panel acceptance process includes confirmation of appraiser experience?
- How are the appraiser’s years in the industry, years in a market area and experience with particular property types applied in the panel ranking system?
- How are the appraiser’s years in the industry, years in a market area and experience with particular property types applied in the engagement process?
Particular Market Competence
What are AMCs registered within your jurisdiction doing to confirm:

- That the appraiser panel acceptance process includes particular market competency verification?
- The subject property particular market prior to offering engagement to one or more appraisers?
- The engagement is offered only to those appraisers with proven competency with the subject particular market?
Property Type Competence

Types of Houses

- hut
- detached
- semi-detached
- castle
- flat
- apartment
- bungalow
What are AMCs registered within your jurisdiction doing to confirm:

- That the appraiser panel acceptance process includes property type competency verification?
- Are samples reviewed prior to appraiser approval for each property type?
- The subject property type prior to offering engagement to one or more appraisers?
- The engagement is offered only to those appraisers with proven competency with the subject property type?
§ 34.213 Appraisal management company registration

- Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must...
- (b)(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder
QUESTIONS?

John D. McIntyre, SRA
The John McIntyre Group, Ltd.
info@johnmcintyregroup.com

Association of Appraiser Regulatory Officials