

# Working with an AMC: Finding a Common Ground

A Brief History of AMC's

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# What is an AMC?

Appraisal Company

Appraisal Management Company

## Regulatory Definition:

- Administer an appraisal panel
- Negotiate fees and services from independent appraisers
- Deliver an assignment to an appraiser
- Track
- Quality control
- Deliver the appraisal

# Who uses an AMC?

- National clients and portfolio lenders
- Local Banks and Lenders
- Attorneys
- Mortgage Insurance Companies
- Large Appraisal Companies
- Sole Proprietors

# Who wanted AMC Regulation and Why



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- The Boom
- The Bust

# History

- The HVCC (May 1, 2009 - October 2010)
- HUD-FHA Mortgagee Letter 2009-28
- The Dodd-Frank Act (July 2010)
- Fannie Mae Announcement SEL-2010-14 (Oct 2010)
- Federal Reserve Board Interim Final Rule (Oct 2010)
- 2010 Interagency Appraisal and Evaluation Guidelines (Dec 2010)

# HVCC

## May 2009- October 2010

“ The lender will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by any other third-party (including mortgage brokers and real estate agents).”





# HVCC

Lender's loan production staff.... shall be forbidden from:

- (1) Selecting, retaining, recommending, or influencing the selection of any appraiser for a particular appraisal assignment or for inclusion on a list or panel of appraisers approved to perform appraisals for the lender;
- (2) Communicating with an appraiser, including ordering or managing an appraisal assignment; and
- (3) Working together in the same organizational unit, or being directly supervised by the same manager, as any person who is involved in the selection, retention, recommendation of, or communication with any appraiser.



# Consequences of HVCC



- Independent Fee Appraiser's lost their clients overnight
- 20% of their work became the 80% of their work overnight and now 80% of their work is paid at a lesser fee

## Before

- 80 % of work from lenders and local sources
- 20% of work from an AMC

## After

- 20% of work from lenders and local sources
- 80% of work from an AMC

## HUD-FHA Mortgagee Letter 2009-28

- Effective Date: February 15, 2010
- Legislative Intent: FHA Appraiser Independence
- Impact: Establishes FHA's position on AMC's, fees, and new appraiser independence safeguards





## The Dodd-Frank Act – July 21, 2010

- 90 days before the sunset of the HVCC
- Financial Reforms include portions specifically targeting Appraisals & Mortgage Financing
- Truth in Lending Act (TILA)
- Expands 2010 Interim Rule to include HELOC's
- Customary and Reasonable Fees
- All states must implement AMC regulations by 2014



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# Dodd Frank imposes limits on your appraisal business

# Dodd- Frank

Requires AMCs to register with State, and to ensure:

- Only licensed or certified appraisers are used for federally-related transactions
- Compliance with USPAP
- Appraisals are conducted independently
- Appraisals are free from influence and coercion
- Must report an appraiser if they believe the appraiser has violated standards
- Mortgage lenders must compensate fee appraisers at a rate that is customary and reasonable

- Fannie Mae Announcement SEL-2010-14
- Freddie Mac Bulletin 2010-23: New Guide Exhibit 35
- Both effective October 15, 2010





# The Federal Reserve Board Interim Final Rule - October 28, 2010

- Reaffirms Appraiser Independence from HVCC
- Mandates AMC licensing by States
- **Places responsibility for the quality of the appraisal report on the Bank**

# Interagency Appraisal and Evaluation Guidelines - December 2, 2010

- Customary and Reasonable
- Mandatory Reporting
- Geographic Competency



# Customary and reasonable rate of compensation for fee appraisers

- Reasonably related to recent rates paid for appraisal services in the relevant geographic market
- Relying on rates established by third party information such as the appraisal fee schedule issued by the Veteran's Administration

# Dodd-Frank USPAP “Violation” Reporting Requirements

*“(e) MANDATORY REPORTING—person involved in a real estate transaction...who has a reasonable basis to believe an appraiser is failing to comply with the Uniform Standards of Professional Appraisal Practice, ...shall refer the matter to the applicable State appraiser certifying and licensing agency.”*

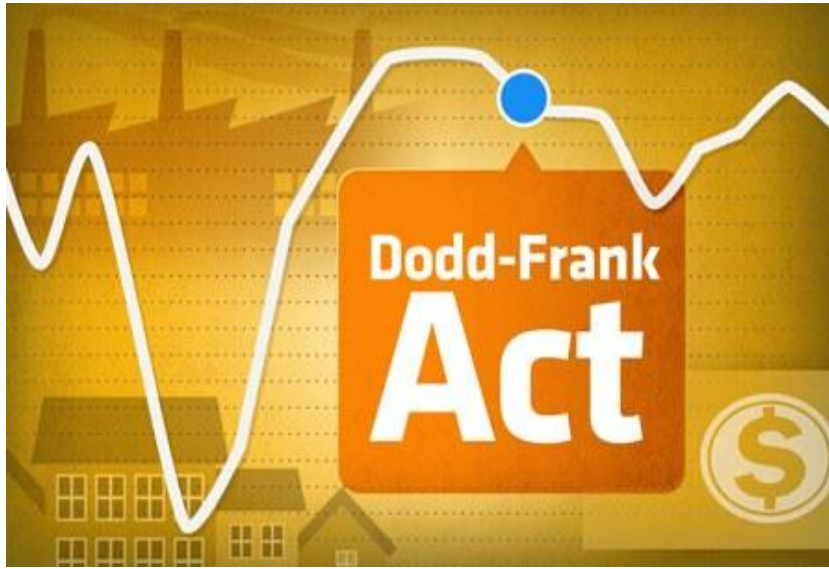
# Geographic Competency

USPAP Requires It

Fannie Mae suggests it

Dodd Frank requires proof





## State Regulations

By 2014 all 50 states will have to  
implement Dodd-Frank



# Maryland

- **(A) (1) EACH APPRAISAL MANAGEMENT COMPANY SHALL ENSURE THAT REAL ESTATE APPRAISAL SERVICES ARE PROVIDED INDEPENDENTLY AND FREE FROM INAPPROPRIATE INFLUENCE AND COERCION UNDER THE APPRAISAL INDEPENDENCE STANDARDS ESTABLISHED UNDER SECTION 129E OF THE TRUTH IN LENDING ACT.**



## Texas

As July 5<sup>th</sup> 2012, Appraisal Reviews  
mandated by Statute

You have to confirm geographic  
competency before you can accept  
an order



## Colorado

“ In order to promote enhanced consumer protection, recently adopted federal guidelines now **require** mortgage lenders to use entities known as appraisal management companies, which hire licensed real estate appraisers, to value property for lending purposes.” HOUSE BILL 12-1110

# Colorado

12-61-710.5. Appraisal management companies – prohibited activities - grounds for disciplinary actions - procedures

(h) PROHIBITING AN APPRAISER FROM USING OR RECOGNIZING THE SERVICES OF A TRAINEE APPRAISER WHEN THE APPRAISER HAS PROVIDED ACTIVE AND DILIGENT SUPERVISION; HOUSE BILL 12-1110



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# Dodd Frank Implementation

“The House Financial Services Committee estimates that private-sector job creators will have to spend 24,180,856 hours each year to comply with Dodd-Frank-and that's only for the 224 rules that have been written to date.”

# Working Together



Understanding the Relationship and  
the Responsibilities

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