

Considering an Appraisal Management Company?



AMC'S AND THE APPRAISAL PROCESS



INTRO DUCTION

Since the Home Valuation Code of Conduct was introduced by the NY Attorney General's office and went into effect May 1, 2009 (later eliminated but with much of the same language contained within the subsequent Dodd Frank Act), lenders have had to decide whether to manage their appraisal ordering "inhouse", or to engage a 3rd party AMC.

WHICH OPTION?

Lenders who choose to keep their appraisal management activities in house believe that they can better manage the process, keep quality to a high level, and that "no one knows our business like we do". While this is certainly true in many cases, the truth is that in-house systems tend to lack sufficient controls. A loan officer may know the staff handling the appraisals, eliminating what is supposed to be a "firewall" between the two sides of the business. The total number of appraisers on in-house panels tends to be smaller, and so parties involved in the loan transaction may be more likely to know these appraisers and be able to contact them directly. While some of these concerns may also be relevant to outsourced appraisal management companies, there is a greater liability when kept in house. And of course, maintaining an in-house staff is an operational cost, and not a profit center.

Lenders who choose to work with AMC's want to outsource that cost, and offload some of the risk as well. But keep in mind that just because you work with an AMC does not mean that you have no risk. A recent OCC bulletin highlights how 3rd party relationships have been blurred in several instances, and the federal government is cracking down on these relationships so it is important that lenders manage them appropriately. However, done correctly, using an AMC can be an excellent way to reduce overhead expenses and let the people that have experience in this arena take care of the work necessary.

HOW TO CHOOSE AN AMC?

First, understand what type of AMC you need. Do you do a high-volume business nationwide? Or are you only one location primarily serving one metro area? Are you a mid-sized lender doing business in a larger market area with aspirations to greatly expand your geographic reach in the near future? Do you specialize in a particular loan type (purchase, refi, reverse, FHA, USDA, VA)? Do you keep portfolio loans or sell everything to the secondary market? All of these may very well impact whom you choose to work with.

Secondly, decide what you want out of the relationship.

- Do you just want to offload the work and be done with it, or do you want to know about the daily operations?
- Do you care what appraisers are doing work on your loans (such as their qualifications, turn-around times, and compensation)?
- Would you like to understand the AMC's security, quality control, and appraisal assignment processes?
- Do you care if they outsource their appraisal QC process to offshore call centers, or would you prefer that your confidential data remain in the U.S.?
- Do you want them to be able to integrate specific items that you require into their QC process, or are you okay with the generic QC that they do for everyone?
- Would you prefer a large company with significant overhead expenses (in-house attorneys, lobbyists, and full-time sales and marketing staff) or would you prefer that the majority of the appraisal fee goes to the appraiser in the hope that a reasonably compensated appraiser will do a better job on the report?



Third, check them out on your own. Check out message boards, BBB.org, online articles, and other sources to understand how this company operates and how it is perceived in the industry. Contact local appraisers to see if the AMC pays their bills in a timely manner (and in compliance with state AMC regulations). Check with your industry peers for their thoughts.

Remember, your reputation is going to be aligned with theirs, so choose a provider you would be proud to announce a partnership with.

TEN THINGS EVERY AMC SHOULD BE ABLE TO PROVIDE

Every AMC should be able to quickly and easily comply with these items:

1. Be appropriately licensed to operate in the states that you work in.
2. Have some type of umbrella insurance policy in an amount that covers the volume of business that they handle.
3. Have a written policy for evaluating panel appraisers (years in business, license level, certifications, insurance coverage, areas covered, as well as checking them against various lenders "Allowed" and "Do Not Use" lists).
4. Have a formal written agreement between the AMC and the lender, and the AMC and the appraisers on its panel.
5. Have written policies for data security that includes both IT and personnel.
6. Be able to show you how they select and communicate with appraisers for each assignment
7. Have a standardized appraisal QC process which can be readily modified to address your specific requirements.
8. Be able to tell (or better, show) you at any time the status of an order.
9. Have a formal written rebuttal policy.
10. Be able to tell/show you operational statistics relating to your business; such as average turn-around time, number of appraisals completed, number cancelled, percentage late, percentage early, fees paid, fees due, fees outstanding to appraisers, and similar.

CONCLUSION

In today's regulatory climate, it is more important than ever to work with a partner who understands the various issues facing lenders today (OCC, CFPB, Dodd-Frank, etc), and is someone you can trust. Appraisal House USA knows the Texas market, uses experienced local appraisers, and works hard to maintain your reputation and earn your business. **Call us today!**

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