

# NAR Issue Brief

## Appraisal Management Company Q&A

### **What is an Appraisal Management Company (AMC)?**

An Appraisal Management Company (AMC) works with lenders and appraisers to facilitate the ordering, tracking, quality control and delivery of appraisal reports. AMCs have been in existence since the 1960s, but in limited numbers when compared to today. In 2009, New York Attorney General Andrew Cuomo, Fannie Mae and Freddie Mac, with support from the Federal Housing Finance Agency, developed a set of appraisal rules called the Home Valuation Code of Conduct (HVCC). The rules were developed to isolate parties with a financial interest in a mortgage loan transaction from appraiser selection and retention. Although no longer in force, HVCC influenced the Appraiser Independence rules now found in The Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, AMCs have proliferated as many lenders use their services in order to provide strict adherence to Dodd-Frank, Truth in Lending and Interagency Guidelines.

### **Is a lender required to use an AMC?**

Lenders are not required to use AMCs. Lenders must ensure that appraisers are engaged [independently](#) and not unduly influenced. As a result, many lenders use Appraisal Management Companies (AMCs) to fulfill that role. Risk practices vary from lender to lender, so AMCs must adjust to the reporting requirements of each lender client.

### **How are AMCs regulated?**

Dodd-Frank requires that the Federal Financial Institution Regulatory Agencies, the Federal Housing Finance Agency and the Bureau of Consumer Financial Protection, jointly promulgate rules on the minimum requirements for states to [register AMCs](#). Some states have already passed AMC legislation, and others are in the process of finalizing legislation. All state legislation must cover the minimum federal requirements, but individual states may adopt their own additional AMC requirements as well.

### **What is an AMC's role in the appraisal process?**

The AMC performs the administrative functions involved in the ordering, completion and delivery of an appraisal report. Each AMC establishes processes to complete and/or enhance these functions based on the AMC's business model and corresponding Federal and State regulatory requirements. Appraisal management companies do not perform appraisals.

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### **How do AMCs qualify appraisers?**

AMCs typically develop screening and on-going assessment processes and benchmarks to measure and track performance in order to monitor an appraiser's eligibility for continued appraisal assignments.

### **How does an AMC select an appraiser for an appraisal assignment?**

An AMC assigns an appraisal using a wide range of criteria. Criteria may or may not include local experience and proximity to the subject property, license level, education, access to the appropriate MLS, appraisal quality history, timeline performance and capacity at the time of order assignment.

### **How does the AMC interact with the appraiser during the course of the assignment?**

The AMC places the order with the appraiser, confirms the borrower's contact information, the lender's special instructions and the due date. During the appraisal process, the AMC may communicate with the appraiser and request updates on possible issues or discrepancies. After an appraiser completes an assignment, the appraisal is sent securely to the AMC. Dodd-Frank, and most state regulations, requires AMCs to have a system in place to assess appraisal quality. After this process, the appraisal is available to the lender/Client.

### **Why do Lenders have their own individual requirements?**

In addition to the legislative and regulatory appraisal requirements that have been implemented in the past few years, many lenders have established their own appraisal requirements based on internal risk policies and the data within the appraisal that they feel affects those policies.

### **What are the options if someone disagrees with the appraisal?**

If a party disagrees or wishes to challenge the appraisal, most AMCs have a specified method by which this can be accomplished. Requests are typically made through the lender where additional data/comparables or perceived errors in the report are supplied for reconsideration by the appraiser. After review, the appraiser may, or may not, revise the appraisal report and or value.

### **Why isn't the buyer the AMC's client? Why is the lender the client?**

The AMC is providing a service as an agent for the lender. Lenders are mandated by federal legislation to maintain real estate appraisal programs that independently engage appraisers for federally related transactions. Many lenders use Appraisal Management Companies (AMCs) to fulfill that role.

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### **How can real estate agents prepare the property for an appraisal?**

Real estate agents can prepare the property for an appraisal by encouraging homeowners to address obvious deferred maintenance and significant repairs, or any condition that affects safety, soundness or structural integrity. Neither Fannie Mae nor Freddie Mac will accept a loan on a property if there is an existing condition that is severe enough to affect safety, soundness or the structural integrity of a home. Additionally, Freddie Mac will not accept a property that has obvious deferred maintenance and is in need of significant repairs. Real estate agents may also recommend that homeowners remove sensitive pictures or religious symbols that could prevent an appraiser from taking the required photographs for the report due to privacy concerns. Real estate agents may provide buyers and sellers a copy of The Appraisal Foundation's *Guide to Understanding a Residential Appraisal*.

### **Can real estate agents provide information to the appraiser before the appointment?**

Real estate agents are encouraged to provide appraisers information such as recent comparables that are similar to the property being appraised, plat surveys, inspection results, and details about the neighborhood, such as schools and shopping options. Real estate agents should also enter as much information as possible into an MLS listing including multiple interior photos. Some MLSs allow energy efficiency details and certifications to be added to the listing information as well. See a recent blog post, "[10 Tips for Brokers to Help the Appraisal Process](#)", for more information about this topic.