

## LEGISLATIVE BRIEFING PAPER APPRAISAL MANAGEMENT COMPANIES

### BACKGROUND:

The Home Valuation Code of Conduct (HVCC) was implemented on May 1, 2009 by an agreement between Freddie Mac, the New York State Attorney General and the Office of Federal Housing Enterprise Oversight (OFHEO). In order to meet the requirements of the HVCC, many lenders are increasing their use of third party companies. While the HVCC was put into place to strengthen the appraisal industry and assist in solving the mortgage crisis, the increased use of Appraisal Management Companies (AMCs) is a concern because they are unregulated entities.

The National Association of REALTORS® (NAR) is pursuing an 18-month moratorium of the HVCC at the federal level and is encouraging state associations to pursue the regulation of AMCs through the implementation of state legislation. PAR formed a task force to develop legislation, which is to be introduced by Rep Dick Stevenson (R-Mercer).

### KEY POINTS OF THE LEGISLATION:

- Requires AMCs to register with the State Board of Certified Real Estate Appraisers and to renew registration biennially.
- Implements a registration and renewal fee of \$1,000.
- Defines the term Appraisal Management Company to differentiate between AMCs and appraisal firms.
- Implements a \$20,000 bond to secure the faithful performance of the registrant.
- Requires all appraisal reviews to be conducted by a certified appraiser.
- Grants the Board the ability to review the records of the AMC at any time.

- Requires AMCs to adopt USPAP record-keeping rules.
- Requires AMCs to disclose to the client the actual fees paid to an appraiser for an appraisal separately from the fees and/or charges of the AMC.
- Prohibits individuals not in good standing with the Board from working for or being a controlling person of an AMC.
- Prohibits improper influence through intimidation, coercion, extortion, bribery, blackmail, threat of nonpayment or withholding payment for an appraisal or threat of exclusion from future appraisal work.
- Prohibits contracting a licensee to perform a valuation of real estate unless it is a “comparative market analysis” as defined in the Real Estate Licensing and Registration Act.
- Prohibits requesting an estimated, predetermined or desired valuation from an appraiser.
- Requires the Board to maintain a current roster of all AMCs registered in Pennsylvania and make this roster available to the public.

### TALKING POINTS:

1. **Appraisal Management Companies (AMCs) are currently an unregulated entity within the appraisal process.** The use of AMCs has increased since the Home Valuation Code of Conduct (HVCC) was implemented on May 1, 2009. The HVCC requires mortgage brokers to arrange for appraisals through third party organizations. However, AMCs are unregulated entities; consequently,

there is no way to identify AMCs, nor who owns and operates them. AMCs are currently operating in a completely un-enforceable environment with no oversight or accountability.

2. **Subjecting AMCs to registration requirements will provide the State Board of Certified Real Estate Appraisers the authority to implement rules on AMCs.**

Regulating AMCs will protect consumers from individuals disciplined by the Board, and will prevent unscrupulous individuals from owning or operating an AMC. In 2009, six states passed legislation to regulate AMCs: California, Arkansas, Louisiana, Nevada, New Mexico and Utah.

3. **Regulating AMCs is an issue of consumer protection.** In a survey recently conducted by the National Association of REALTORS® (NAR), 76 percent of members indicated increased time in getting an appraisal, with 69 percent noting more than a week's delay and 37 percent reporting lost sales due to a delayed appraisal. In the same survey, more than 70 percent of NAR appraiser members reported that consumers were paying higher fees. This bill requires the amount paid to the appraiser to be noted on the report.

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