

Submission to the Consumer Financial Protection Bureau (CFPB)

**In Response to Request for Information on Mortgage Origination Costs
Docket No. CFPB-2024-0021**



July 30, 2024

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Delivered by Email: 2024-RFI-ResidentialMortgageFees@CFPB.gov

The following comments are submitted on behalf of the members of the Real Estate Valuation Advocacy Association ([REVAA](https://www.revaa.org)) in reference to CFPB Docket No. CFPB-2024-0021.

REVAA is a national trade association whose membership includes appraisal management companies (AMC) and residential real estate valuation providers. Beyond appraisals and valuation services, many REVAA members create and provide innovative technologies and lender valuation services such as evaluations, Broker Price Opinions (BPO), Property Data Reports (PDR), and Automated Valuation Models (AVM).

AMCs also invest heavily in new and emerging technology to increase overall efficiency. They work with lenders and other clients to place mobile technology in the hands of appraisers and other vendors to perform on-site data collection, including obtaining and creating photographs, video, floor plans, square footage calculations, 3D image scanning, virtual property tours and applications that can calculate GLA measurements.

Our comments reflect the perspective of AMCs pertaining to appraisal and AMC fees being misconstrued in the category of “junk fees” within the scope of the Consumer Financial Protection Bureau’s June 2024 (CFPB) Request for Information.

Thank you for considering our perspective.

We are happy to have further discussion with the CFPB, please contact Mark Schiffman at (612) 716-1812 and mark.schiffman@revaa.org.

Sincerely,

Mark A. Schiffman

Mark Schiffman
Executive Director

Appraisal and AMC Fees are Not “Junk Fees”

Lenders choose how they manage the procurement of valuation services (e.g., appraisals, AVMs, evaluations, BPO, PDR) – either directly (whether managed in-house or through non-AMC vendors) or through AMCs. Regardless of whether a lender maintains appraisal management services in-house by directly engaging appraisers or chooses to contract a third-party vendor (e.g., AMC, appraisal firm, other supplier of valuation products), as an agent of the lender the vendor is responsible for complying with federal Appraiser Independence Requirements (AIR) and other applicable public policies in the same manner as lenders.

As determined by Congress and implemented by federal regulators, the role of independent fee appraisers (appraisers), AMCs, mortgage lenders (lenders) and others charged with protecting the public trust in residential property valuations is critically important to the nation’s housing finance system. On the heels of the financial crisis of 2008 and allegations of undue influence upon and malfeasance by residential appraisers, the Dodd-Frank Consumer Protection Act improved upon Appraisal Independence Requirements (AIR) to mandate a firewall between loan production staff and appraisers to protect the interest of consumers.

REVAA strongly believes that appraisal fees, appraisal management fees and related fees are not “junk fees.” Appraisal and appraisal management services provided by appraisers and AMCs, respectively, are vitally important to protecting consumers, lenders, investors (including the Government Sponsored Enterprises), and the overall health of the housing market. The fees paid to AMCs, appraisal firms, and appraisers are tied directly to service performed on behalf of the lender’s compliance and loan manufacturing efforts. The costs are not “mark-ups” or “unearned” fees. Appraisal and AMC fees are not and should not be categorized as “junk fees.”

Appraisal Related Costs Fund Compliance with Federal and State Mandates

The costs associated with a residential appraisal and property valuations are driven by compliance with federal and state statutes, regulations and guidance, including the following: safety and soundness guidelines, Interagency Appraisal and Evaluation Guidelines, AIR, Federal AMC Rules, Federal Housing Administration (FHA) guidelines, and Fannie Mae and Freddie Mac selling guidelines.

Independent of the expectations of the lenders who use AMCs, AMCs must themselves follow federal and state Fair Housing, anti-discrimination and consumer protection laws in their hiring, business operations and business practices. Under the Dodd Frank Acts amendments to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), AMCs became subject to direct oversight by state and federal regulators in addition to the third-party vendor oversight by their lender clients.

Regulation and oversight impose actual and justifiable costs on lenders and their vendors. In addition, AMCs continue to make sizeable investments in people, technology, infrastructure, security, and insurance to provide efficiency and security for the benefit of lenders and consumers alike.

Appraisal Fee Disclosure to Consumers is a Mandatory Federal Requirement

Lenders are required to disclose loan costs fully and transparently to every borrower using formats mandated by Congress in TILA and developed, prescribed and implemented by the CFPB under the TILA-RESPA Integrated Disclosure Rules (TRID).

As outlined by TRID, the *Appraisal Fee*, if the assignment is managed by an AMC, is comprised of two components: (1) an Appraisal Services Fee - the fee paid to the appraiser (which must meet or exceed the Customary and Reasonable fee in the market for the services) and (2) an Administrative Fee paid for appraisal management services from which the lender, appraisal firm or AMC pays all other costs incurred (e.g., labor, technology, licenses for information, state AMC license fees, AMC National Registry Fees, insurance) to manage appraisal assignments, appraiser panels, compliance requirements and ongoing requirements of a business. The fact that the “*Appraisal Fee*” includes both the cost of appraisal services and the cost of administrative functions associated with the compliant procurement of a valuation product is often misunderstood.

The *Appraisal Fee* is disclosed to consumers and categorized as a Zero Tolerance Fee on the loan estimate and again on the closing disclosure. Today, the *Appraisal Fee* (Appraisal Services Fee + Administrative Fee) is bundled into a single fee that is paid by the consumer. Through its thorough rulemaking pursuant to the implementation of Dodd-Frank, the CFPB determined to keep these two distinct fees combined for purposes of the loan estimate and closing disclosure. Together they represent the total cost of obtaining the required appraisal.

REVAA does not necessarily oppose breaking out the components of the *Appraisal Fee* within the loan estimate and closing disclosure so long as the variability in fees can fluctuate, as further outlined below. Currently, more than half of the states require or allow the appraiser to state the fee for the appraiser’s services within the appraisal report so that the AMC fee is available. REVAA believes this same standard of transparent fee disclosure should also be required of appraisers and appraisal firms as well for any residential assignment.

TRID Poses a Challenge to Lender Appraisal Fee Disclosure

The lender's estimate of the *Appraisal Fee* with a Zero Tolerance is based on the receipt of the six data elements that trigger the loan estimate disclosure process tied to a loan application. These limited elements often do not provide the lender with enough information regarding the subject property to accurately estimate or present to the appraiser for their appraisal services fee quote. Additional information is required for the creditor or appraiser to estimate the scope of work and corresponding costs necessary to complete the appraisal in compliance with USPAP and client expectations.

The current Zero Tolerance policy is the difference between the loan estimate disclosure of the *Appraisal Fee* and the corresponding line item on the closing disclosure, which may create a possible conflict between compliance with TRID and TILA 129e regarding the payment of a Customary and Reasonable fee (C&R). To be compliant, when the creditor or appraiser receives additional details that will impact the level of effort or scope of work needed to produce credible results as required by USPAP, the Appraiser Services Fee is adjusted accordingly. Lenders and their agents are obligated to pay the appraiser a C&R fee as mandated by the Dodd-Frank TILA amendments set forth in section 129E(i). The inability to adjust the disclosed appraisal fee to accommodate the additional detail (which may not rise to the level of a "change in circumstance") creates an unbeneficial friction point in the appraisal procurement process. The scope of work decision directly correlates to the cost of the appraisal, which impacts the fee for the assignment.

There are several circumstances that can warrant a higher fee be paid to an appraiser by a lender or AMC than what was disclosed in the loan estimate. According to the Interim Final Rule on Appraiser Independence section 129e of TILA:

Appraisal assignments vary and appraisers have different skills and experience, and these variations and differences may legitimately contribute to determining what level of compensation for a particular assignment is reasonable. For example, an appraisal requiring an interior inspection may be more expensive to perform and may warrant greater compensation than an appraisal requiring only an exterior or "drive-by" inspection. Similarly, an appraisal of a dwelling in a rural area with several additional outbuildings and significant acreage in real property might be more expensive to perform and may warrant higher compensation for the appraiser than an appraisal of a detached single-family dwelling in a suburban area. As discussed earlier, the statute itself acknowledges these variances, by expressly permitting a creditor or its agent to pay an appraiser more for a "complex" assignment than for a comparatively "non-complex" assignment. TILA Section 129E(i)(3).

An appraiser, AMC or lender may not know if any complexities exist based on the loan application data. Often times, until the appraisal is ordered, which in most cases is well after the issuance of the loan estimate, the actual assignment complexity and scope of work needed to produce credible results is not known to the lender.

The CFPB's guidance on allowable events to trigger a compliance revision, which allows for a change to the *Appraisal Fee* disclosed on the loan estimate, is restrictive. It limits re-disclosure to such an extent that it's often not workable from a practical perspective. The lack of flexibility disadvantages the consumer and others.

- Since complexity factors are frequently not identified at the onset of the lending application process, the ordering of an appraisal and determination of an appropriate appraisal services fee can be delayed as the scope of work requirements are determined by the lender or AMC and the appraiser to ensure credible assignment results.
- Although the changed circumstance provision allows for fee revisions due to additional information or the amendment of inaccurate information, specific disclosures must be reinitiated which can further delay the consumer's loan progress, instigate additional expenses for the lender, and/or may result in closing delays which can trigger the loss of an advantageous rate lock.
- The consistent inability for the lender to recover higher costs associated with specific transactions may force loan interest rate, points or lender cost increases for all transactions to subsidize the appraisal costs associated with a higher cost appraisal transaction. It should be noted that because the *Appraisal Fee* is quoted to the consumer on the consumer's loan estimate at the time of application cannot change unless there is a bonified change of circumstance and the lender chooses to re-disclose, which rarely happens.
- Variances from the quoted appraisal fee are commonly absorbed by the lender or AMC, not the consumer.

CFPB Determined How the Appraisal Fee is Disclosed for Consumers

In the CFPB's final Integrated Mortgage Disclosures rule, the Bureau sought comment on whether the appraisal procurement costs should be separated out or remain bundled.

As recently affirmed, the CFPB has decided to keep the two distinct costs bundled instead of separated to avoid consumer confusion. The Bureau recognized that for lender safety and soundness reasons, borrowers would typically not have a choice in who would perform these services.

How these fees would be disclosed to consumers in the TRID loan estimate and closing disclosure was submitted for public comment after which the Bureau provided comment 37(f)(2)-2¹ to the Integrated RESPA TILA Disclosure Rule. The Bureau observed with respect to services the borrower cannot shop for:

"2. Examples of charges. Examples of the services and amounts to be disclosed pursuant to § 1026.37(f)(2) might include an appraisal fee, appraisal management company fee, credit report fee, flood determination fee, government funding fee, homeowner's association certification fee, lender's attorney fee, tax status research fee, third-party subordination fee, title – closing protection letter fee, title – lender's title insurance policy, and an upfront mortgage insurance fee, provided that the fee is charged at consummation and is not a prepayment of future premiums over a specific future time period or a payment into an escrow account. Government funding fees include a United States Department of Veterans Affairs or United States Department of Agriculture guarantee fee, or any other fee paid to a government entity as part of a governmental loan program, that is paid at consummation."

The final decision by CFPB on the TRID appraisal procurement fee disclosure was based on the following according to the CFPB published explanations:

- "It is unclear from these comments, however, that a breakout of the AMC's charge from the appraisal would or could lead to the stated result sought by the commenters: that a consumer would utilize the different charges to question and seek an appraisal directly from an appraiser, rather than through the use of an AMC."
- "The Bureau is not aware of any data or information supporting the commenters' belief that this disclosure would achieve their desired results, nor did the commenters supply any such data or information."
- "The Bureau believes that absent data or other information supporting the commenters' beliefs, it would be inappropriate to use its authority to modify the statutory disclosure provision of Dodd-Frank Act section 1475, because requiring breakouts of such charges to be disclosed in all cases may tend to produce information overload." ²

TRID Revision Option for the CFPB to Consider

Complexity issues often result in a variance that would require a change in good faith to the Appraisal Services Fee. REVAA is not advocating for a change to the *Appraisal Fee* disclosure.

However, if the CFPB is considering a change to the *Appraisal Fee* disclosure guidance in the integrated disclosure, REVAA suggests the following:

Given the unique nature of residential real estate, removing the appraisal procurement cost from the Zero Tolerance category and recategorizing it under the existing "No" or "Unlimited tolerance" category would allow for reasonable flexibility and avoid additional costs tied to process and workflow changes pertaining to the Appraisal Fee disclosure that may result from delays in closing if there is a change to appraisal fee.

¹ <http://www.consumerfinance.gov/eregulations/1026-37/2013-28210#1026-37-f-2>

² [SEC. 1475. REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974 AMENDMENT RELATING TO CERTAIN APPRAISAL FEES.](#)

REVAA Response to Criticism of AMCs and Fee Disclosure

The following comments in this section are to correct the inaccurate information provided in a recent submission of comments to the CFPB by the Appraisal Institute and other appraiser trade associations jointly (CFPB-2024-0021-0040) in response to the CFPB's Request for Information Regarding Fees Imposed in Residential Mortgage Transactions (RFI).

These comments reference the organizations' long-standing and unsubstantiated objection to the Bureau's 2013 determination to not modify the statutory disclosure provision of Dodd-Frank Act section 1475 to require lenders to breakout the fee paid to AMCs from the total fee paid for residential appraisal services.³

Without evidence of consumer harm, consumer complaints or lender concerns, these comments allege that the Bureau's 2013 determination allows "AMCs to abuse the conflation of where the singularly paid 'appraisal fee' flows after the consumer provides payment, reaping significant financial benefits while harming consumers and lenders along the way." We believe it is important to respond to these comments, and as mentioned above, we welcome continued discussion around the broader topic of fee disclosure by lenders, AMCs, and appraisers.

- The comments state that the CFPB has continued to allow AMCs to deceptively camouflage their fees. As discussed in our response above, these organizations ignore the fact that lenders create the loan estimate and closing disclosures with the fees combined because they must be in compliance with TRID and dismisses the unique requirements that appraisers be paid Customary and Reasonable fees (C&R) as we have outlined in this document.
- The comments state that the CFPB failed in its authority to require the breakout of the fee paid to AMCs from the total fee paid for residential appraisal services. Again, this misses the mark and as explained above the CFPB went through an extremely thorough vetting process to evaluate whether additional disclosure is required and concluded that it did not. The comments provide no evidence to support consumer confusion or harm with respect to current disclosure practices.
- The comments broadly mischaracterize how AMCs work with appraisers to solicit appraisal assignments, accusing all AMCs of issuing a "broadcast" order to multiple appraisers while not focusing on appraiser quality or performance. This is false. AMC panel management and solicitation practices focus on balancing appraiser quality and performance, where often AMCs are working to solicit an assignment to an appraiser with the appropriate competency to perform the work while also accounting for market conditions. Moreover, the comments suggest appraisers have no ability to negotiate fees. Quite the opposite, the regulatory framework and lender requirements require lenders and their partner AMCs to consider much more than an appraiser's fee and turn time for delivery when assigning appraisals. Appraisers are always free to quote more than the given market's C&R fee for an appraisal assignment and like all participants in a market-based service industry they compete to provide services.
- The comments further accuse AMCs of outsourcing quality control functions to low wage workers and that AMCs should be spending more resources on quality control efforts. These allegations are unsubstantiated – as shared in our comments AMC quality control efforts are significant and are based on a number of variables including lender expectations, appraisal report formats, location and complexity of subject property, etc.
- The comments appear to conclude that if appraisers were paid a higher fee then quality and performance would be resolved. We would note that residential appraisers are uniquely protected under federal law by the pricing floor established by the C&R fee requirements imposed upon lenders and AMCs - there is no corresponding price ceiling, and we can turn to the peak of the mortgage market in 2021-2022 to understand if appraiser fees (highest on record in many markets) produced highest quality and performance results.
- The comments claim that financial institutions and lenders are not properly overseeing AMC vendors, again with no empirical evidence. We dispute this claim – our members are heavily audited by their customers, including by contractual obligations, virtual and on-site audits, and questionnaire responses to explain their operations and business practices. Contrary to the comments, we believe federal banking regulatory agencies are appropriately exercising their oversight over the mortgage industry.

We appreciate the opportunity to proactively address many of the mischaracterizations offered in CFPB-2024-0021-0040 and remain open to having a responsible and honest discussion with these parties and federal regulators around settlement disclosure.

³ See, e.g., Appraisal Institute Letter to Subcommittee on Financial Services (June 20, 2012)

About Appraisal Management Companies

AMCs are third-party service providers engaged by bank and non-bank lenders and servicers to manage the residential appraisal procurement process and associated vendor management on their behalf. There are AMCs that operate in the commercial, default servicing and capital markets sectors. AMCs typically do not interact or engage with consumers in their work for lenders.

Lenders are not required to use an AMC or appraisal firm; they may provide appraisal management services utilizing in-house personnel and the direct engagement of appraisers. Regardless, they are still required to follow AIR. The prevalence of lenders who use AMCs to manage their appraisal process is indicative of the value provided by AMCs and the business model.

Since the 1960's, U.S. financial institutions small and large have partnered with AMCs to obtain appraisal services for many reasons including: AMC residential property valuation expertise, networks of qualified services providers, workflow efficiency, federal and state regulatory compliance, developing innovative technology and improving valuation quality.

Their value in furthering the objectives of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) became manifest in the aftermath of the Financial Crisis of 2008. AMCs offer the procurement and management of residential real estate valuation services including appraisals, procurement management, Broker Price Opinions (BPO), evaluations, Property Data Reports (PDR), Automated Valuation Models (AVM) and other related services on behalf of national, state and local bank and non-bank lenders, servicers and secondary market participants.

Lenders increasingly relied on AMCs to ensure compliance with the Appraisal Independence Requirements (AIR), a safeguard designed to maintain a clear separation between lending institutions and appraisers. This practice originated with HUD requirements during the Clinton administration and was later enshrined in law by the Dodd-Frank Act following the 2008 housing market crash. Since the implementation of Dodd-Frank, the incidence of appraisal fraud has notably decreased.

The AMC model provides parity by allowing large and small mortgage lenders to compete in obtaining appraisal management services they otherwise may not be able to provide in an efficient and affordable manner leveling the playing field when it comes to collateral valuation compliance.

The work of lenders and AMCs must be in compliance with federal and state banking regulations, consumer protections, Fair Housing and anti-discrimination law, and specific regulatory mandates such as the payment of Customary and Reasonable (C&R) fees to appraisers, and AIR. As a third-party agent, clients (both lenders and non-lenders) provide the AMCs with whom they engage a scope of work and operational guidelines for completing a valuation assignment. AMCs then procure appraisals, including the administrative and vendor management functions, on behalf of lenders. It is estimated that AMCs are utilized in more than 50 percent of mortgage transactions requiring an appraisal.

Because AMCs work directly with lender clients, the AMC business model and its role in the property valuations process may not be fully understood. Even appraisers who are indispensable to the AMC business model, labor under misunderstandings about the value the services AMCs provide to lenders and the substantial investments AMCs make to reinforce compliance and efficiencies in the housing market. Our comments seek to provide clarity about the AMC business model, the highly regulated environment in which they operate, and the scrutiny of third-party oversight by lender clients.

- Lenders originate financial products for residential borrowers and AMCs are vendors that may be utilized by lenders. AMCs generally have no consumer contact in the appraisal and valuation processes, other than in areas such as inspection scheduling.
- Lenders are not required to work with AMCs. Lenders of various sizes and scales hire AMCs as third-party agents to facilitate the procurement of an appraisal or property valuation in compliance with federal and state law as well as GSE obligations and other regulatory guidance and oversight. The fact that an AMC is utilized by a lender in a majority of Fannie Mae and Freddie Mac appraisal transactions is indicative of the value AMCs provide to lenders.
- As a contractor of the lender, it is the lender (whether through contract or agreement) that dictates the assignment scope of work and appraisal management services in the procurement of an appraisal and property valuation. Similarly, it is the lender that negotiates the fees for requested appraisal management products and services, and approves the fees that AMCs are to pay to appraisers subject to the Dodd-Frank C&R fee requirement.

- Lenders are responsible for compliance with applicable federal and state appraisal and property valuation legal requirements, including the Truth in Lending Act's Appraisal Independence Requirements (AIR) and the payment of C&R fees to independent appraisers. Mortgage lenders utilizing a third-party, such as an AMC, are responsible for third-party and fourth-party oversight requirements. Lenders regularly review their AMC vendors to confirm compliance and measure performance.
- Independent fee appraisers make their own business decisions, including whether to work with an AMC, whether to accept a solicited appraisal assignment, and whether and how to negotiate their fee. When they do, independent contractor appraisers negotiate with the AMC (or whoever is the appraiser's client) regarding the fee and other terms for their service when choosing to accept an offered assignment. It is the role of the AMC to operate as an agent of the lender, in compliance with state and federal law.

Over the almost 15 years since Dodd-Frank's passage, the choice by lenders to use AMCs and appraisal firms due to the value they provide has resulted in many appraisers having to adapt to a new model whereby lenders no longer directly engage appraisers. This market shift has led some appraisers to dislike the AMC business model as an alternative to working directly with lenders, which used to be the norm.

- Currently, 49 states and Washington, D.C. have federally compliant appraiser and AMC licensing programs under the regulatory purview of the Appraisal Subcommittee (Hawaii's AMC licensing program was sunsetted in 2023 and will be reestablished on September 1, 2024). REVAA continues to support and advocate for uniform state licensing of AMCs across the country in compliance with the Federal Minimum Requirements for Appraisal Management Companies, 12 CFR 34.215(a).

There are currently an estimated 250-350 AMCs in the United States that compete for clients. These range from large companies with a national presence to smaller local businesses operating in just one state. The number of AMCs has declined over the years due to industry mergers and acquisitions.

Current Market Conditions

From 2016 to 2022, the volume of residential mortgage originations (e.g., purchase and refinancing transactions and HELOCs) grew significantly. This increase resulted in higher demand for appraisal services, and appraisers naturally took advantage of the market by increasing fees for their services (quite substantially in some areas), all of which is an expected outcome of supply and demand.

However, the laws of supply and demand also work in reverse. We know the United States has experienced a massive decline in mortgage originations attributable to a variety of factors including inflation, high interest rates, lack of housing inventory and increased home prices. As a result, the volume of available appraisal assignments has dropped precipitously and correspondingly the demand for appraisals.

The market has rationally reacted with some downward pressure on fees charged by appraisers. Mortgage industry stakeholders (i.e., lenders, appraisers, AMCs, appraisal firms and other service providers) are struggling in the current environment. Housing demand and the mortgage industry are notoriously cyclical, improvement will come. When it does improve, it is anticipated the marketplace will again drive appraiser fees higher as the volume of available work increases.

In Spring 2024, [the CFPB released data on consumer complaints received in 2023](#). Of the more than 1.3 million consumer complaints, 2% (27,900 complaints) were related to mortgage. In addition, FHFA and the CFPB published updated loan-level data in the [National Survey of Mortgage Originations](#) (NSMO). Among the important findings, when asked about appraisal satisfaction, 70% of respondents reported being very satisfied with their property appraisal, 23% reported being somewhat satisfied, and 6% were not at all satisfied."

The Dodd Frank Act of 2010

Concerns over undue influence in the residential valuation marketplace led to the AIR provisions in the Dodd-Frank Act of 2010. The Dodd-Frank Act was rooted in the objective to restore public trust in the safety and soundness of the financial industry. Specific to appraisal and AMCs, the Dodd-Frank Act adopted several important consumer protections:

- The Truth in Lending Act ("TILA") was amended to make it unlawful, in extending credit or in providing any services for a consumer credit transaction secured by the principal dwelling of the consumer, to engage in any act or practice that violates appraisal independence.
- The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") was amended to include AMCs within the scope of appraisal activity overseen by the Appraisal Subcommittee and applicable federal regulators.

In 2015, interagency AMC rules were finalized that provide the framework for state regulation of AMCs that Congress envisioned in Dodd-Frank.

State Oversight of AMCs

REVAA has supported and successfully advocated for uniform state licensing of AMCs in compliance with the Federal Minimum Requirements for Appraisal Management Companies across the country. Additionally, we seek to be an informational resource to state regulators as they perform their oversight of AMCs.

Currently, 49 states and Washington, D.C. have federally compliant appraiser and AMC licensing programs under the regulatory purview of the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC). Hawaii's AMC licensing program was sunsetted in 2023 and will be reestablished on September 1, 2024, to again regulate, license, oversee and audit the operations of AMCs.

Per the Federal AMC Rule, at a minimum state AMC registration programs must include:

- Register with and be subject to supervision by a state appraiser certifying and licensing agency in each state where a company operates;
- Verify that licensed or certified appraisers are used for federally related transactions;
- Require that appraisals coordinated by an AMC comply with the Uniform Standards of Professional Appraisal Practice (USPAP); and
- Require that appraisals be conducted independently and free from inappropriate influence and coercion pursuant to appraisal independence standards established in section 129E of the Truth in Lending Act.

AMCs are state regulated and fall under applicable licensing and enforcement oversight. AMCs must comply with several important requirements, including the following:

- Maintain active licensure in each state in which they operate
- Pay all administrative fees including the AMC National Registry Fee in each state in which they operate
- Report attestations of compliance (including Customary and Reasonable fees)
- Pay appraisers within a defined period of time (typically 30, 45 or 60 days depending on state)
- Abide by state prohibited conduct requirements (rule and law) governing AMC engagement with appraisers
- Engage with appraisers who have an active appraiser credential
- Provide state-level AMC registration number to appraisers when ordering appraisals
- Provide to lenders the Appraisal Services Fee and Administrative Fee data from completed appraisals
- Maintain a process to require that an appraiser comply with USPAP and state law
- Maintain a process for reviewing the work of appraisers for compliance with USPAP
- Inform regulators of address changes or material changes in ownership
- Maintain a surety bond
- Be subject to audit by state regulators
- Be subject to investigation and enforcement

Violations of any of these requirements may result in disciplinary action by the state regulators. In addition, AMCs are required to report any state disciplinary actions taken against their license to their lender clients and other AMC regulators in states where they are licensed. According to the ASC in 2023:

- States reported 9,045 disciplinary actions taken against appraisers over the past 10 years (2013-2023).
- States reported 154 disciplinary actions taken against AMCs over the past 5 years (2018-2023).

Per Dodd-Frank, AMCs are required to pay fees annually to each state, which is passed through to the ASC, in order to be listed by the state on the AMC National Registry maintained by the ASC. National Registry fees collected by the ASC from each state, paid for by appraisers and AMCs, support its administrative functions and provide funding for grants to state appraisal regulatory agencies. According to the ASC:

- In fiscal year 2023, the ASC's revenue totaled approximately \$11.8 million, and expenses (including the State grants) totaled approximately \$5.8 million. ASC funds are derived from the Appraiser and AMC National Registry fees.
 - Appraiser paid National Registry fees totaled \$2.9 million in FY 2023.
 - Annual AMC paid National Registry fees totaled \$8.9 million in FY 2023.

The AMC and Lender Relationship

Advances in technology including the internet, artificial intelligence, and a highly integrated financial services ecosystem have enabled lenders over the past 30+ years to move away from the historical approach to appraisal procurement management. Lenders no longer only have the option of maintaining an internal appraisal department to facilitate appraisals and other property valuation products. Today they have choices among a myriad of AMCs, appraisal firms, individual appraisers, technology-based solutions and other financial services organizations.

It is often misconstrued that AMCs originate loans and produce appraisals, Property Data Reports, BPOs, evaluations or other financial products. Rather, AMCs are vendors engaged by a lender to provide and procure a variety of products and services in order to meet their valuation needs. All aspects of the relationship between lenders and AMCs are determined via legal agreements and contracts.

Under federal law and GSE policies, lenders are responsible for all aspects of obtaining an appraisal or property valuation. Over the past 15-20 years, the advent of the Home Valuation Code of Conduct (HVCC) and the subsequent Dodd-Frank Act (including AIR) increased compliance requirements and prompted the need for lenders to find ways to reduce costs, increase efficiencies, and offer innovative products and services through the use of AMCs, appraisal firms and other vendors to meet their needs. Today, America's mortgage lenders large and small have moved to engage third parties such as AMCs and appraisal firms to help facilitate appraisals and other property valuation products.

The appraiser panel management, appraisal order management, quality assurance and appraisal review services necessary in the residential real estate market are required by federal law, state law, and financial services industries prudential regulators. The importance of these functions has resulted in a Federal regulatory framework overseeing state AMC regulatory agencies. The Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (FRB), and the Office of the Comptroller of the Currency (OCC) impose guidance on their regulated institutions to develop and implement risk management practices throughout the loan cycle. AMCs are naturally subject to these risk management requirements.

While a lender can choose to utilize an internal appraisal department to directly engage a panel of appraisers, many that have tried report the associated compliance mandates and corresponding costs to be prohibitive (e.g., staffing, compliance, process management, appraiser panel recruitment and management, appraiser panel payment, technology requirements, quality control, insurance, etc.). Based on how the market operates today, lenders have determined that partnering with AMCs is a cost-effective model that operates as an extension of the lender, in a compliant manner at the necessary scale with the expertise in the products and services to meet their appraisal and property valuation procurement needs.

Third-Party Oversight

Lenders fall under the purview of federal and state financial and appraisal regulation. Irrespective of whether a mortgage lender directly engages an appraiser or the lender chooses to engage a third-party (e.g., AMC, appraisal firm), federal law and regulation requires that the lender is responsible for the actions of their third-party vendors – referred to as third-party oversight requirements. To that end, AMCs are under continuous, vigorous, and extensive scrutiny by their lender clients through third-party oversight reviews.

Lender/AMC Contractual Relationship

All activities between a lender and an AMC, including scope of work, services performed and costs, are approved by the lender by agreement or contract with the AMC, including the following:

- Determine the product or service to be supplied through the AMC. Lenders, investors, GSEs and others seek differing levels of service from an AMC based on their need. AMCs vary greatly in size, product offerings, services provided, and market expertise (e.g., origination, default servicing, investment, etc.). For example, some AMCs only offer traditional appraisal management services. Others provide appraisal review and quality control (QC) services and offer products such as Property Data Reports, BPOs, and evaluations. An AMC fulfills their clients requests by contracting with the appropriate professional provider from their network of various workforces (e.g., appraisers, brokers, real estate agents, property data collectors, etc.) where the AMC has established relationships with providers.
- Establish and approve the Administrative Fee paid to the AMC based on the product and services required by the lender. This compensation agreement is defined by contract. The compensation earned by the AMC often varies by transaction based on services provided and is impacted by several factors including market conditions affecting supply and demand.

- Approve the Appraisal Services Fee to be paid to an appraiser for services rendered (in compliance with the Customary and Reasonable fee requirement). In some instances, lenders choose to make the payment to appraisers themselves, and in other cases the lender contracts with the AMC to facilitate payment to the appraiser on their behalf. This varies from lender to lender and from AMC to AMC and is part of the contract or agreement between the lender and AMC.
- Approve the fee to be paid to non-appraiser professionals (e.g., real estate agent, broker, property data collector) who perform services such as a BPO, property data report or evaluation.
- Determine the timeline terms and conditions for product delivery, aligned with regulatory compliance and lender mandated requirements.
- Participate in and support mandated comprehensive client audits to ensure compliance with federal banking regulations and lender policies and procedures, including the payment of C&R fees. Lenders closely monitor AMCs to track their performance and quality measures frequently using scorecards for standardization across multiple AMCs to effectively compare the performance of their AMC partners.

Payment of the Appraisal Fee

Dodd-Frank includes protections to support AIR. Federal and state policies govern the payment of appraisal fees.

Each state mandates the timeframe in which an appraiser must be paid for successfully completed services, ranging from 30 days to 60 days depending on the state. Failure to meet this payment requirement can lead to complaints by appraisers and potential disciplinary action on the AMC by state regulators.

There are two components of the *Appraisal Fee* paid by the consumer: an Appraisal Services Fee and an Administrative Fee. It is frequently misconstrued that the *Appraisal Fee* collected by the lender is intended in its entirety to be paid to the appraiser. Rather it is intended to cover lender costs related to procuring an appraisal.

- The Appraisal Services Fee is the C&R fee paid to the appraiser for services required to perform an appraisal, including defining the scope of work; inspecting the property if required; reviewing necessary and appropriate public and private data sources (for example, multiple listing services, tax assessment records and public land records); developing and reporting an opinion of value; and preparing and submitting the appraisal report. 12 CFR 1026.42(f)(4)(ii).

Lenders, or AMCs on their behalf, must pay appraisers a C&R fee for providing appraisal services. This is a federal and state requirement under section 129E(a)-(i) of the Truth in Lending Act. The appraiser determines this fee individually, and it may vary from appraiser to appraiser and assignment to assignment based on market factors and a number of other conditions.

For example, the scope of an assignment may change or become more complex than originally thought, therefore an appraiser can request an adjustment to their fee or additional fees for their work. Additionally, an appraiser may request and negotiate additional fees for “rush” assignments or other situations requiring special handling sessions, which typically occurs during periods of high demand.

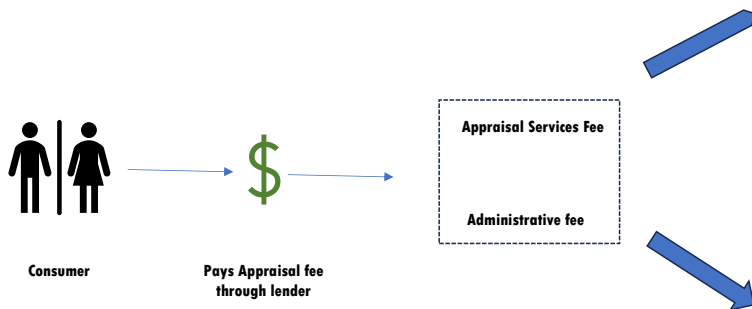
Determining what is a C&R fee for an appraisal is a transactional process, not a “catch-all” representative number found on a chart or in a fee survey.

Fees for appraisal services are driven by market dynamics and transactional characteristics. It is by design a highly variable process in which the determination of the appropriate market based fee takes into account multiple data points in the geographic market area, including the type of property, scope of work, the time in which the appraisal needs to be performed, the experience as well as the qualifications and history of work quality of the appraiser. In addition, the fee can then further vary and be influenced by the immediate market conditions where the appraiser and AMC negotiate an adjustment to the fee that is agreed upon due to seasonality, complexity, geography, etc.

- The Administrative Fee for appraisal management, which is appropriate under federal law (12 USC 2603), is for appraisal management services necessary in the manufacturing of a compliant loan. These services can be provided by a lender or their agent.

When the lender uses a third-party, such as an AMC, appraisal firm or other vendor, these administrative costs can be paid to the third-party who completed them on the lender’s behalf.

The Administrative Fee differs from the Appraisal Services Fee - these are mutually exclusive items. While related, the Administrative Fee is independent of the payment of C&R fees.



Per the Federal AMC Minimum Rules:

Section 226.42(f)(4)(ii) states that, for purposes of § 226.42(f), "appraisal services" include only the services required to perform the appraisal, such as defining the scope of work, inspecting the property, reviewing necessary and appropriate public and private data sources (for example, multiple listing services, tax assessment records and public land records), developing and rendering an opinion of value, and preparing and submitting the appraisal report. The Board understands that agents of the creditor such as AMCs split the total appraisal fee between the AMC (for appraisal management functions) and the appraiser (for the appraisal). The interim final rule is thus intended to clarify that the customary and reasonable rate applies to compensation for tasks that the fee appraiser performs, not the entire cost of the appraisal (including management functions).

- C&R Appraiser Fee**
- Set by individual appraiser for assignment
 - Based on geography, type, season, complexity, etc.
 - Payment of C&R is a federal and state requirement
 - In most states, must be paid in 30-45 days
 - Lender responsible for oversight (inhouse or third party)

- Administrative Costs**
- Direct lender engagement – If a lender does not use a third-party (appraiser firm or AMC) lender costs appear in the administrative fee, application fee or other charge to a consumer in connection with the transaction.
 - AMC – If a lender uses an AMC instead of direct engagement, the costs appear in the appraisal service fee. They are determined by lender contract and are based on the valuation services provided (e.g., quality control, appraisal review). This may also include the cost of technology/data storage.
 - Appraiser Firm – If a lender uses an appraiser firm instead of direct engagement, the costs appear in the appraisal service fee. They are determined by lender contract and are based on the valuation services provided (e.g., quality control, appraisal review). This may also include the cost of technology/data storage.

When the price a consumer pays for a product or service is based on a properly functioning free market, consumers generally pay the lowest reasonable price for a quality product or service. Federal law, regulations, and guidance provide the framework to help ensure that consumers are provided disclosure of the total cost of the appraisal service in the loan estimate and closing documents, an appraisal free from undue influence, for which they pay a fee that is fair and reasonable based on market conditions.

Like any other product or service, what is a fair and reasonable price will vary based on market conditions. This can be greater in times of high demand and low supply, and less during times of low demand and high supply.

AMCs Play a Vital Role in Helping to Protect Consumers

As intended by the Dodd-Frank Act, AMCs enhance consumer protection in the following ways:

- As part of a lender’s well-established collateral risk program, AMCs work on behalf of lenders (and ultimately consumers) to ensure appraisals are completed in compliance with federal, state and local laws, USPAP, and as applicable GSE and client policies requiring appraisers to form their value opinions independently and without undue influence from interested parties (appraisal independence). Preventing coercion is critical to the valuation process and reduces the potential for fraud.
- AMCs are regulated and licensed in 49 states and Washington, D.C., consistent with federal requirements. Regulators have oversight authority to investigate AMCs and take enforcement action if needed. Hawaii’s AMC licensing program was sunsetted in 2023 and will be reestablished on September 1, 2024, to again regulate, license, oversee and audit the operations of AMCs.
- AMCs are subject to and must follow all federal and state fair housing, anti-discrimination and consumer protection laws in their hiring, operations and business practices. Additionally, AMCs work with lender clients to address consumer complaints including those related to appraisal bias or discrimination under the direction of the lender.
- AMCs typically conduct background checks on service providers as most lenders require AMCs to ensure service providers engaged to do work for them have a background check completed. The background checks and other due diligence exercises must be completed before appraisers become an approved AMC provider. Furthermore, AMCs monitor appraisers’ performance and credentials on an ongoing basis to ensure any who become unqualified or may pose a threat to public trust or safety are removed from active status as appropriate or reported to regulatory authorities as required.

AMC Core Functions Serve the Needs of America's Consumers and Lenders

AMCs vary in size and services provided. Lenders, ranging from nonbanks, large national banks, credit unions, community banks and others rely on the services of AMCs to assist them in procuring property valuations. The following provides an overview of many of the functions and services that AMCs provide to lenders:

Recruit and Maintain a Panel of Qualified, Pre-Screened Appraisers for Lender Valuation Assignments

This is a legal and regulatory requirement of AMCs, which includes:

- Verify appraisers on a panel hold a license or certification in good standing pursuant to each State Appraisal Board and Appraisal Subcommittee requirements.
- Ensure the appraiser selected meets the client's requirements and competency, per federal and state law. The appraiser's competency is self-determined as outlined in USPAP on an assignment basis. When selecting the best appraiser to engage for an order, factors considered include the quality of the appraiser's past work, their skill set, education, experience, geographic competency, availability, and ability to complete the specific product.
- Verify appraiser compliance with USPAP when performing an appraisal assignment for a lender client.
- Verify appraiser has current E & O insurance in place and track to ensure it is kept current according to lender client policies.
- AMCs objectively "score" appraisers to measure performance relative to peers based on performance metrics. There is no standard methodology for measuring performance and it differs from AMC to AMC and by lender. AMC scoring methods are primarily determined based on lender requirements and AMC overall total performance. Quality is typically weighted highest on a lender's scorecard for their AMCs.

To support appraisers and the relationship between AMCs and appraisers, many AMCs employ a liaison, or in some cases a team of liaisons, to serve as a point of contact for appraisers on their panel who need to interact with the AMC for any reason. Appraisers may contact them with questions at any time regarding their relationship, including getting information about their individual performance; scores; scorecard methodology; and how to improve performance.

- AMCs are mandated by federal and state law to report illegal activity, significant USPAP violations, and other violations that potentially interfere with the opinion of value or credibility of the appraisal report. In less serious violations, AMCs work with appraisers independently of and on behalf of lenders to resolve the issue(s) through education and communication. This has now been expanded to include appraiser compliance with a Reconsideration of Value (ROV) request.
- Pursuant to the Federal Deposit Insurance Act requirement on lenders, AMCs require (as a mandate by their lender clients) an appraiser to complete a background check when joining an AMC's appraiser panel.

Recruit and Train Future Appraisers

The reliance on appraisers and appraisal products creates an important need to help ensure the sustainability of the profession, and the safety and soundness of financial institutions. Consumers, lenders, secondary markets and AMCs rely on a plentiful supply of qualified appraisers to meet anticipated demand.

The residential appraisal industry isn't unique regarding concerns about the viability of its future workforce, many professions have similar concerns. For decades, national demographic data has forecasted the coming retirement wave of the nation's Baby Boom generation and the anticipated corresponding impact to American businesses as industries of all shapes and sizes experience a shortage of available skilled workers.

AMCs support a vibrant and diverse appraiser industry but remain concerned that, beyond the recent Appraiser Diversity Initiative activities, there lacks a sustained centralized effort by the industry to recruit new appraisers. To help recruit and train future appraisers, many AMCs have created appraiser trainee programs to provide experience and support. The future of appraisal requires a human component, which is why we support increasing the recruitment of new appraisers to help revitalize the profession for the next generation.

AMCs also assist with the role of "trainee supervisor," which helps provide trainees with a diverse professional experience that exposes them to a wide variety of assignments. REVAA has supported the introduction of Senate Bill 3902 (The Appraisal Industry Improvement Act) in Congress, which adds trainee appraisers to the Appraiser National Registry to greatly increase the ability of lenders and AMCs to effectively utilize trainee appraisers. Without adding trainees to the National Registry, many lender's risk-management policies and procedures will continue to restrict, limit or prohibit the use of trainees. This bill also allows licensed appraisers to perform FHA assignments.

Employ and Train Staff Appraisers and Non-Appraisers

As outlined in the Federal Minimum Requirements for Appraisal Management Companies, an AMC may choose to have staff appraisers and other W2 employees in addition to their independent fee appraiser panel. Per the Federal AMC Rules, this is called a “hybrid” AMC.

AMCs employ staff appraisers and other non-appraisers in management positions to support their business operations. Additionally many AMC have on staff appraisers as part of their panel to produce USPAP compliant appraisals as required by agreement, law or regulation (e.g., quality control, appraisal review, etc.). An AMC utilizing staff appraisers is operating in the same manner as an appraisal firm that uses employee appraisers. The AMC must comply with AIR and other policies when using staff appraisers for an assignment just as it does for independent contractor fee appraisers in all aspects of the appraisal process, with the difference being that staff appraisers may be paid as an employee receiving a W2, vs. an independent contractor receiving a 1099 for income tax purposes.

Under federal law, companies that employ both staff appraisers and independent contractor appraisers, and meet the definitional threshold for providing appraisal management services, are considered AMCs and must be licensed in the states in which they do business. These are referred to in the Federal AMC Rule as “hybrid” companies.

AMC staff appraisers are state credentialed and are required to complete the same continuing education and training as independent fee appraisers.

Ensure Federally Mandated Appraiser Independence by Safeguarding Against Fraud and Undue Influence

As part of a lender’s well-established collateral risk program within mortgage origination, AMCs are part of the infrastructure ensuring appraisals are completed in compliance with federal, state and local laws, industry standards (USPAP), and GSE policies (which are de facto industry standards). This requires appraisers to form their value opinions independently and without undue influence from interested parties (appraisal independence). Preventing coercion is critical to the valuation process and thereby reducing the potential for fraud.

Fannie Mae, Freddie Mac and others have praised the role AMCs have played in improving appraisal quality, consistency, and enforcing federal Appraisal Independence Requirements (AIR) since the Home Value Code of Conduct (HVCC) and Dodd-Frank were enacted.

Help Lenders to Maintain Compliance with Federal and State Requirements

AMCs are regulated in each state by an appraisal regulatory agency and required to follow federal laws. They help lender clients comply with federal and state appraisal laws, the Interagency Appraisal and Evaluation Guidelines, GSE Appraisal Independence requirements, Fair Housing requirements, Civil Rights and consumer protection law, and FHA guidance.

As businesses, AMCs must follow all federal and state Fair Housing, anti-discrimination and consumer protection laws in their hiring, business operations and business practices. AMCs on behalf of lender clients provide controls to ensure appraisers, lenders, staff and AMCs do not engage in discriminatory behavior, including but not limited to the following:

- Developing policies, procedures, and training that explain fair lending practices and define prohibited conduct, including through education, letters of engagement, and vendor agreements.
- Reviewing appraisal reports for possible discriminatory language.
- Maintaining complaint management programs to investigate complaints alleging discrimination.
- Where appropriate or legally required, AMCs may obtain diversity information from their appraiser panel in accordance with a customer contractual obligation.

AMCs are subject to additional oversight by state and federal regulators and third-party oversight from lender clients. AMCs support lender compliance with federal and state Fair Housing, anti-discrimination and Consumer Protection laws, including managing complaints related to appraisal bias or discrimination, which typically come from homebuyers through the lender.

Provide Quality Control (QC) on Each Appraisal/Valuation, as Mandated by Client Contractual Agreement

AMCs have robust Quality Control (QC) programs in place as required by lenders and the law to examine appraisal reports after the delivery by the appraiser and before it is forwarded to the lender as completed.

QC processes vary by AMC and client requirements. QC is a service provided by AMCs to aid their clients. These reviews ensure compliance with lender requirements and USPAP as appropriate, before the appraisal report or valuation is delivered to the lender. This QC is not part of any loan underwriting function and is not used to determine a lending decision or to form an opinion of value.

Any AMC QC process must comply with two important components of appraiser independence under the Truth in Lending Act:

1. Ensuring the AMC complies with federal and state appraiser independence requirements, including not attempting to cause an opinion of value to directly or indirectly be influenced based on any factor other than the independent judgment of the person preparing the valuation.
2. Performing quality assurance review in compliance with appraiser independence which permits an AMC to ask an appraiser to:
 - a. Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support a valuation.
 - b. Provide further detail, substantiation, or explanation for the valuation provider's value conclusion.
 - c. Correct errors in the appraisal report.

The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) requires appraisals to be subject to appropriate review for compliance with USPAP. In October 2019, federal banking regulators adopted regulations implementing this requirement, stating the Interagency Appraisal and Evaluation Guidelines provide more information to assist financial institutions in the appropriate review of appraisals.

These guidelines mandate that lenders are responsible for safety and soundness of property valuations.

XV. Reviewing Appraisals and Evaluations

The Agencies' appraisal regulations specify that appraisals for federally related transactions must contain sufficient information and analysis to support an institution's decision to engage in the credit transaction. For certain transactions that do not require an appraisal, the Agencies' regulations require an institution to obtain an appropriate evaluation of real property collateral that is consistent with safe and sound banking practices. As part of the credit approval process and prior to a final credit decision, an institution should review appraisals and evaluations to ensure that they comply with the Agencies' appraisal regulations and are consistent with supervisory guidance and its own internal policies. This review also should ensure that an appraisal or evaluation contains sufficient information and analysis to support the decision to engage in the transaction. Through the review process, the institution should be able to assess the reasonableness of the appraisal or evaluation, including whether the valuation methods, assumptions, and data sources are appropriate and well-supported. An institution may use the review findings to monitor and evaluate the competency and ongoing performance of appraisers and persons who perform evaluations.

Each AMC has its own QC process that is largely dependent on the unique QC review requirements of its lender clients. Lender service agreements and contracts with AMCs dictate the level of QC and specific guidelines for what is to be reviewed by the AMC. These requirements vary by lender client and can range from nominal review to intensive review.

Often, AMCs will have their own unique branded QC to separate themselves from competitors.

In addition, some lenders have their own QC programs beyond or in lieu of what may be provided by the AMC. So while AMCs may have a base set of QC processes, they can be enhanced or changed by clients. Most AMCs typically do not have the same QC process for all customers.

AMC QC Review of Independent Appraisers: AMCs review their panel of independent fee appraisers to grade appraiser performance on past assignments, research state board records to determine if there is any disciplinary history, and require background checks to determine if there is any criminal history.

Appraiser work for an AMC is reviewed for quality, on-time delivery, customer service and professionalism, conformance with appraiser independence requirements, and USPAP compliance.

Independent appraisers typically agree to terms of use and conduct which outline specific expectations of the relationship, including compliance with applicable laws (i.e., fair lending requirements), and individual assignments include a letter of engagement that outlines assignment-specific criteria required by a client.

AMC QC Requirements Under Federal Law: Federal law imposes requirements on lenders to implement controls to review appraisals, and AMCs as service providers work with lender customers to ensure lenders meet these requirements.

AMC QC Requirements Under State Law: State laws vary, but most have a requirement that AMCs must audit the work of appraisers on their panel, although the details of how many appraisals must be reviewed or the extent of the review vary. Typically, AMCs are required to provide a general review for compliance with USPAP.

Some states have more restrictive requirements that require a detailed review in compliance with Standards 3 and 4 in USPAP, which is a full review of the appraisal by another credentialed appraiser.

Different Levels of AMC QC Reviews: AMCs review all appraisal reports for a base level of compliance with items as dictated by state law and/or lender requirements.

- Detailed (Capitalized R) Review = <1% of reviews (USPAP Standards 3 and 4 full review of an appraisers work). In most cases, a detailed review by an AMC would treat this like an appraisal assignment and use their appraiser panel to identify a competent appraiser in the market in question to perform the review.
- General (lower case r) review = 99% of reviews. Quality Control for correct names and address, use of proper forms, report completion, compliance with standards such USPAP, Uniform Appraisal Dataset (UAD), the Uniform Collateral Data Portal (UCDP)). These reviews ensure compliance before the appraisal report or valuation is delivered to the lender and are not used to determine a lending decision.
 - Technology-based reviews utilize logic software with defined business rules to review data and text included in the appraisal report. The number of business rules used varies from AMC to AMC based on lender client or state requirements (e.g., 100+ including USPAP, UAD, UCDP, FHA, USDA, etc. and lender-specific overlays).

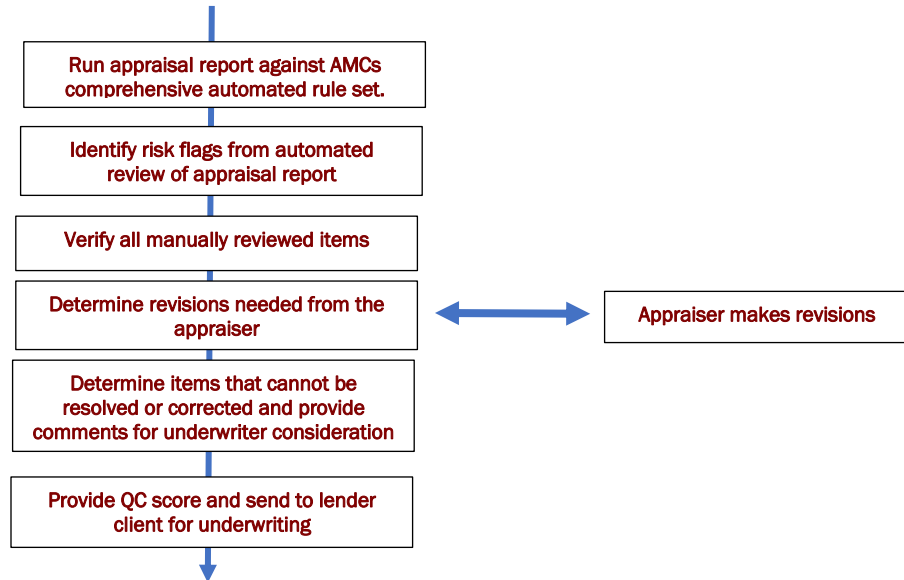
In addition, for some AMCs this may include a key word search to identify unacceptable words shared by Fannie Mae, Freddie Mac, clients and other institutions which can be perceived as biased or discriminatory in nature.

Appraisals with flagged words would be sent back to the appraiser for removal.

- Several states require AMCs to review a percentage (e.g., 2%) of appraisals each month that were performed in the state for quality control purposes.

Typically, this requires a general review for compliance with USPAP. However, there are some that require this review to be an appraisal review compliant with Standards 3 and 4.

Overview of the General AMC QC Process



Lenders may request additional information after an appraisal has been submitted for a lending decision. The AMC would typically facilitate the information request with the appraiser who performed the assignment, within the guidelines of federal appraisal independence

Escalation: If an issue is identified through an automated or manual review of an appraisal, the concern is escalated to a more intensive review based on defined severity, utilizing one or all of the tools outlined below. Any questions or issues identified during the review process are addressed with the appraiser who completed the appraisal as appropriate.

- Desk reviews are performed as required by AMC lender client contracts. It allows for consideration of unique attributes to the property and its potential impact on value.
- AMCs may seek to evaluate an opinion of value via an AVM or other valuation tool to determine if there is risk that an opinion may not be within a market-based value range.
- AMCs must manage complaints related to appraisal bias or discrimination. These complaints come from borrowers through the lender. There is no direct contact between the borrower (consumer) and AMC.
- The GSEs and FHA have instituted a requirement for lenders to support, at the request of a borrower, Reconsideration of Value (ROV) requests. While the scope of the new requirements is now formalized across the industry, lenders and AMCs have long had ROV policies in place. In cases where a lender uses an AMC, ROV requests (after vetting by the lender) are routed through the lender to the AMC and then communicated to the appraiser for review. An AMCs responsibility in the ROV process is to communicate the request to the appraiser, review the response to confirm it addresses the request, determine if there are any outstanding QC issues, and forward the revised report to the lender for its review.

Invest in Innovation to Help Modernize Property Valuations

AMCs continue to innovate with modern technologies and products that meet the needs of America's consumers and lenders. Federal regulatory agencies are updating valuation-related policies to address concerns related to appraiser demographics and the rapidly evolving technology landscape (e.g., GSE move to desktop and hybrid appraisals to augment traditional appraisals). There were positive lessons learned during the COVID-19 pandemic when federal regulators enacted appraisal flexibilities to protect public health while not hindering the collection of property valuation information for the surge in lending volume.

AMCs play an integral role in developing and supporting innovative improvements that allow lenders to utilize non-traditional valuation services more readily, in addition to traditional appraisals and valuation products. Today, a wide variety of valuation products are available to lenders, mortgage companies, investors, and others making real estate collateral risk decisions. These products include Broker Price Opinions (BPO), Automated Valuation Models (AVM), evaluations, data analytics, post-disaster property reviews, and property data collection.

AMCs also invest heavily in new and emerging technology to increase overall efficiency and are positioned to place mobile technology in the hands appraisers and other vendors to perform on-site data collection, including obtaining and creating photographs, video, floor plans, square footage calculations, 3D image scanning, virtual property tours and applications that can calculate GLA measurements.

The expectation of greater use of mobile technology will improve efficiency and productivity. REVAA members believe their investments in technology will help transform the profession. For example:

- Mobile applications that allow an appraiser to accurately measure property and develop a sketch of a residence.
- Scheduling applications that give the borrower better command over scheduling their appraiser/inspector visit which can reduce delays and improve communications between the appraiser and lender.
- Continued integration of third-party real estate data available at an appraiser's fingertips.

Core AMC Functions to Benefit Independent Fee Appraisers

AMCs advise the appraisers of guidelines, requirements, and expectations for their work product to their benefit, and ultimately the benefit of the client and customer. In support of their appraiser panels, AMCs provide a plethora of educational offerings, professional webinar training, discussion forums, and sponsorship of appraisal courses and conferences that provide appraiser education.

Client Engagement

AMCs maintain business relationships with lenders to attract appraisal and property valuation assignments that provide opportunities to engage appraisers, real estate agents and brokers, and other professionals.

Education and New Products

Many AMCs offer a number of alternative non-appraisal valuation products and seek to engage appraisers to complete these services. Additionally, AMCs provide an education platform on how these products can be completed competently, in compliance with federal law, state law and USPAP. This creates more valuation assignment opportunities for appraisers.

AMCs also closely monitor all federal and state appraisal regulatory and regulation issues. This information is regularly communicated to appraisers on their panels to ensure they are up to date with industry changes.

Quality Control Training and Assistance

AMCs use a quality control program to assess the work submitted by the appraiser panel. Each report is reviewed by the AMC and scored for overall quality. AMCs provide training and assistance to appraisers to understand and correct mistakes. Actual performance-based measurements are considered in selection for future work assignments.

Dispute Resolution

AMCs provide clients with a forum to request corrections, explanations, or resolution of value disputes through a managed, responsive, free of undue, improper or coercive influence-based processes that maintain and support appraiser independence.

In compliance with GSE, state and federal Appraiser Independence Requirements, AMCs ensure that the panel appraisers typically have access to direct contact methods, such as a phone number and email address through which they can report undue influence by anyone in the appraisal process without fear of retribution. This includes lenders, mortgage brokers, borrowers, appraisal management companies, real estate agents, builders or other stakeholders.

Integrated Appraisal Delivery

AMCs ensure that each completed appraisal report passes a quality control review. The appraisal, as delivered by the appraiser, should be delivered to the lender in PDF format or another format as agreed to by the AMC, the lender, and the appraiser. Typical delivery channels include website upload, portal upload, email or hardcopy. AMCs and lenders incur costs associated with the secure and reliable transfer of complete appraisal reports.

Invoicing/On Time Payment

Most AMCs facilitate payment of agreed upon fees to appraisers based upon delivery of the completed assignment per the letter of engagement. If AMCs do not pay appraisers as required by state law or client contract mandated timeline, the appraiser may submit a complaint to the state appraiser regulator. In some states, regardless of whether the lender client engaged the AMC to provide payment services, state regulators still hold AMCs wholly responsible for lender-client's timely payment of the appraisal fee to the appraiser.