

# Collateral Risk Network

## Appraisal Management Company (AMC) Best Practices

### Introduction

The Collateral Risk Network (CRN) is a group of dedicated chief appraisers, collateral risk managers, regulators, and valuation experts who are focused on resolving the many challenges facing our profession. The Collateral Risk Network is represented by lending institutions, Wall Street, Fannie Mae, Freddie Mac, Veterans Affairs, the Federal Housing Administration, Appraisal Management Companies, and appraisers.

CRN is a unique community founded in 2003 which seeks:

- To explore issues relating to collateral risk and regulatory compliance.
- Promote public awareness of the contributions of our industry to many sectors of the economy.
- To support industrywide best practices through leadership provided by individuals and companies through our broadly diverse membership.
- To promote, facilitate and support Appraisal Independence.

The CRN will provide a congenial, hospitable and welcoming environment where valuation professionals, both nationally and internationally, can meet in person and virtually through the CRN meetings and the CRN Email Forum to exchange ideas and information.

Appraisal Management Companies (AMCs) have become prominent players in the industry, providing clients with a more efficient and cost-effective way to manage their appraisal needs while also ensuring compliance with appraiser independence requirements.

The purpose of this document is to establish a Best Practices for all CRN member AMCs with the following objectives:

- To foster better relationships with the appraiser community through clarification of the AMCs role and responsibilities.
- To maintain the highest levels of professional conduct.

This document is not intended to govern the individual appraisal management business practices of an AMC, but rather to adopt mutually agreed best practices – it does not govern other valuation-related functions performed by an AMC. CRN does not oversee or dictate how any member chooses to conduct their business.

In line with federal and state laws, we do not discuss or promote actions in the CRN that relate to pricing of services to customer agreements to reduce or increase prices or promote prohibited boycotts.

### What is an AMC

The AMC is most commonly associated as an organization that facilitates the appraisal process for its client. While this is true, AMCs are also retained to provide broader, and more efficient valuation services as experts in the real estate valuation process. Banks, investors, and others may seek varying services from an AMCs for different reasons, including:

- Technology investments that can apply to various valuation products and services.
- Centralized vendor management services.
- Access to broader real estate valuation services and products.
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### The Role of the AMC

An AMCs core functions include:

- Maintaining and managing a panel of qualified appraisers and other professionals ready to execute client valuation assignments.
- Supporting appraiser independence by safeguarding against undue influence.
- Executing processes around quality control for delivery of valuation products/services.
- Being an active partner toward supporting the best experience for the consumer.
- Complying directly and helping customers comply with applicable lending laws and regulations.

AMCs invest significantly in technology to support the above functions, including but not limited to developing proprietary ordering processes that can integrate with appraisal form providers and other real estate technology solutions and implementing automated quality control rule sets for individual clients.

It is important to underscore that the AMCs client sets the expectations for how an AMC must manage its appraisal process regarding assignment, turn times, and quality control. Many appraisers believe that AMCs set appraisal order turn times, delivery requirements, and other obligations. The AMC typically has a contractual agreement with the client that includes Service Level Agreements (SLA's). The SLA's differ from client to client but establish the performance expectations between the AMC and client. The performance expectations and AMC policy are conveyed to the appraiser via the order engagement process.

An AMC may also be responsible for sending certain appraisal deficiencies to state regulators, based on state or federal law or regulation or based on client SLAs.

An AMC is also subject to compliance audit by clients, usually on an annual basis, to ensure SLAs and all applicable state and federal laws are being followed

### Code of Conduct

All member AMCs shall strive to achieve the highest standards of professional and ethical business practice.

1. Member AMCs shall not adopt any policy or practice in conflict with A.I.R. or state or federal law or regulation.
2. Member AMCs shall engage the appraiser in accordance with their prescribed business practice and shall disclose all terms and conditions of the engagement at time of order assignment,

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including turn-time and appraisal requirements, including quality control requirements as required by client and or AMC policy.

3. Member AMCs shall provide sufficient time or process for the appraiser: to review the assignment conditions and subject property and to agree to accept the assignment and proposed fee. In the case of "auto assignment," a reasonable time period shall be established within which the appraiser may decline the assignment or modify the fee, if required due to complexity.
4. No member AMC shall take punitive action against an appraiser or appraisal firm, except as allowed or prescribed by A.I.R. or state or federal AMC law.
5. Member AMCs shall have a documented policy for removing an appraiser or appraisal firm from their panel, and must include:
  - I. Review by designated individual(s) or committee, prior to removal
  - II. Written notification of the decision to the appraiser or firm
  - III. Allow the appraiser the required number of days, depending on the state requirement, to appeal the AMC's decision to remove from the panel
  - IV. A designated contact/ method appeals, not directly involved in the day-to-day appraisal or QC operations
6. Member AMCs shall appoint convey a designated contact for appraisers/ firms to report any applicable violations of A.I.R. or, state or federal AMC law or regulation, unethical practices, and shall convey the contact information as part of the order engagement.
7. Member AMCs shall disclose the agreed upon fee, including any portal or "click" fees passed on to the appraiser as part of the order engagement. Payment terms shall also be disclosed on a regular basis, and no less than once annually.
8. Member AMCs shall not adopt any requirement or policy that requires an appraiser to violate USPAP, state AMC law, or federal law or regulation.
9. Member AMCs shall ensure their appropriate staff are adequately trained to comply with this document.

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