New Minimum Requirements for Appraisal Management Companies

Under a new interagency rule, certain AMCs must be subject to either a federal or state regulatory regime by August 10, 2018. All non-federally regulated AMCs will have to rely on the regulatory program of its state(s) in order to provide appraisal services for certain transactions. However, the rule does not compel states to implement such a regulatory program.

OVERVIEW

- More than 60 percent of all residential appraisals ordered each year are ordered through Appraisal Management Companies (AMCs).

- On April 19, 2015, an interagency group issued a final rule establishing minimum standards for Appraisal Management Companies (AMCs). The rule took effect on August 8th.

- Beginning on August 10, 2018- 36 months after the effective date of the rule- an AMC that oversees a panel of more than 15 state-certified or state-licensed appraisers in a state, or 25 or more appraisers in two or more states in a calendar year may no longer provide appraisal services for loans held in portfolio with a loan amount larger than $250,000 unless the AMC is registered with the state or is subject to oversight by a federal financial institution’s regulatory agency through its ownership and control by a federally regulated depository institution.

- AMCs that are not owned and controlled by a depository institution are therefore considered non-federally regulated and will have to rely on state regulatory programs in order to avoid restrictions on the services they can provide.

- The final rule does not require states to establish a regulatory program that meets the minimum requirements established by the final rule.

- A majority of states will need to revise their state AMC licensing programs to comport with the new minimum standards. 13 states have no AMC licensing regime whatsoever.

For more information, visit mba.org or call (202) 557-2700.
IMPACT

- In states that do not move swiftly to establish a state AMC licensing regime, the final rule will restrict the list of services non-federally regulated AMCs are able to provide.

- If non-federally regulated AMCs are unable to provide important appraisal management services, the many lenders who depend on them to manage the appraisal process will be forced to find other options if they wish to originate portfolio loans above $250,000.

MBA’S POSITION/NEXT STEPS

- MBA supports promoting consistency in AMC licensing regimes between the states.

- States that have not yet created an “appraiser certifying and licensing agency” for non-federally regulated AMCs within their state are urged to pass such legislation prior to the end of the 36-month window.

- States that currently have some form of AMC licensing regime are urged to update it to comport with the new minimum standards.

- The rule provides that if a state is found to be making substantial progress towards implementing a registration and supervision program that satisfies the rule’s criteria after the 36-month window closes, the window may be extended by an additional 12 months.

- MBA will engage with its member companies, state mortgage bankers associations and other industry stakeholders to preserve marketplace options for its members as a diversity of business models, which helps foster more efficient markets, is also in the interest of consumers.