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**RE: HB 3040
LICENSING OF APPRAISAL MANAGEMENT COMPANIES (AMCs)**

Dear Rep. Conway and Committee Members:

Thank you for the opportunity to speak before you today on House Bill 3040, pertaining to the licensing and regulation of Appraisal Management Companies (AMCs).

This is a critically important issue affecting both consumers and appraisers. I will endeavor to focus on and highlight some of the key issues in the two minutes I have allotted, though this will only barely touch the surface of complexities associated with the this issue. I am available as a resource to provide additional information, background, examples, and support as needed by the committee members.

This bill is needed in order to ensure transparency to the consumer, and to ensure compliance with the Uniform Standards of Profession Appraisal Practice (USPAP).

AMCs are not currently licensed or regulated in WA State as a professional entity, other than the need to have a state business license or comply with general business laws. So far, more than one half of the states have realized the need to regulate AMCs. While this issue is also being considered for federal legislation, so far it has been up to the states to take action to protect their consumers and to ensure the integrity of the appraisal process. At least six states have passed legislation requiring the licensing and oversight of AMCs and their operations, while more than 20 additional states are now in the process of doing so. Washington should be among these.

This bill is the result of a multi-party task force comprised of appraisers, AMCs, mortgage brokers, the Washington Realtors, along with the WA State Departments of Financial Institutions and Licensing.

The ordering of appraisals in support of real-estate collateralized loans has now in most cases been relegated to AMCs. It is estimated that 80% or more of all appraisals now being ordered for single family home loans are being funneled through AMCs. While AMCs are not new – some have been around for many years – their existence and involvement in the appraisal-ordering process has exploded since the implementation of the Home Valuation Code of Conduct (HVCC) that took effect as of May, 2009. This has resulted in the creation and operation of many “fly-by-night” AMC operators. Further, many large banks, which previously were required to maintain an in-house appraisal management, ordering and review center, have now set up wholly-owned subsidiary AMCs, which are acting as profit-centers, and are not subject to proper oversight as the process was when it was housed within the bank and subject to federal banking laws. Many AMCs are negatively impacting the appraisal process and defrauding consumers.

There is a lack of adequate disclosure to the consumer requiring appraisal services. Consumers (home owners, mostly) are being led to believe that they are paying for an appraisal, at a “usual and customary” cost, when in fact in most cases only about one-half of the quoted “appraisal fee” that is showing up on HUD-1 closing statements is being paid to the appraiser, with the AMCs pocketing the rest of the so-called “appraisal fee.”

Because most appraisers are now having to rely on AMCs for the bulk of their business, they are being forced to accept a dramatically lower fee for their services – less than what they were paid in many cases more than 20 years ago – and having to complete the appraisal process in a dramatically-shortened timeframe, in many cases within 48 hours or less of being engaged to do the appraisal. This is resulting in many appraisers either leaving the profession, with those remaining either choosing to deliberately “cut corners” in the appraisal process or feeling as if they have no choice but to comply with onerous

appraisal order conditions and low fees in order to stay in business. This is resulting in many appraisers now having to provide a dramatically lower-quality product and service. This is not good for consumers of these services, who believe that they are paying for at least a typical quality appraisal, but actually will in most cases now be getting something far less or inferior in quality.

The USPAP requires that appraisal conditions and the Scope of Work of appraisals not be so onerous as to impede the ability of the appraiser to provide a credible opinion of the property value. Many AMCs are imposing conditions on appraisers as a condition of getting their business that is negatively impacting appraisers' ability to develop and provide a credible opinion of value.

There is substantial fraud, along with significant coercion of appraisers, taking place within the Appraisal Management Company industry. If requested, I can provide numerous examples, both nationally and within WA State, of the types of fraud and coercion taking place at the hands of AMCs.

There are also a number of AMCs that are being controlled by former appraisers who have had their professional licenses revoked or suspended, and who should not now be overseeing the ordering and review of their former peers who are striving to act professionally and in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

This proposed legislation, HB 3040, is needed in order to re-balance the appraisal ordering and completion process, to provide transparency to the consumer, and to ensure the independence of appraisers to ensure the development of credible value opinions.

The Appraisers' Coalition of Washington, which has sponsored this bill, is willing to work with other stakeholders on this bill, if and as needed, to develop the best law that will apply and be the best fit for the State of Washington.

Thank you.

A handwritten signature in blue ink, appearing to read 'Stan Sidor', is written over a light blue circular stamp or watermark.

Stan Sidor, President
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