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## Federal regulators propose framework for state supervision of Appraisal Management Companies

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On March 24, the Federal Reserve Board, the OCC, the FDIC, the CFPB, the FHFA, and the NCUA proposed a rule to implement the Dodd-Frank Act's minimum requirements for registration and supervision of **Appraisal Management Companies** (AMCs). While current federal regulations mandate that appraisals conducted for federally related transactions must comply with the Uniform Standards of Professional **Appraisal** Practice (USPAP), this rule would represent the first affirmative federal obligations relating to the registration, supervision, and conduct of AMCs.

Generally, the proposed rule would establish a **framework** for the registration and supervision of AMCs by individual states that choose to participate, and for state reporting to the **Appraisal** Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC). Although state participation is optional, AMCs would be prohibited from providing **appraisal management** services for federally related transactions in states that do not establish such a program.

Comments on the proposal will be due 60 days following publication in the Federal Register.

### ***Scope of Proposal***

The proposal defines an AMC as any person that (i) provides **appraisal management** services to creditors or secondary mortgage market participants; (ii) provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction (including consumer credit transactions incorporated into securitizations); and (iii) within a given year, oversees an appraiser panel of more than 15 state-certified or state-

licensed appraisers in a state or 25 or more state-certified or state-licensed appraisers in two or more States. “Appraisal management services” include, among other things, recruiting, selecting, and retaining appraisers and contracting with state-certified or –licensed appraisers to perform **appraisal** assignments. Notably, the rule would apply to appraisals for *any* consumer credit transaction secured by the consumer’s principal dwelling, whereas current federal regulations apply only to appraisals for transactions that involve an entity regulated by a federal financial regulatory agency and that require the services of an appraiser (federally related transactions).

The definition of AMC does not cover commercial real estate transactions or securitizations involving commercial real estate mortgages and would not apply to a department or division of an entity when such a department or division provides **appraisal management** services only to that entity. However, affiliate AMCs would be covered, even if they only provide services to their affiliated entity.

### ***Minimum Requirements for State Supervision Programs***

The rule would require participating states to implement, within 36 months after the final rule takes effect, a licensing program within a state agency that has authority to: (i) review and approve or deny an AMC’s application for initial registration; (ii) review and renew or refuse to renew an AMC’s registration periodically; (iii) examine the books and records of an AMC operating in the state and require the AMC to submit reports, information, and documents; (iv) verify that the appraisers on the AMC’s appraiser list, network, panel, or roster hold valid state certifications or licenses, as applicable; (v) conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders; (vi) discipline, suspend, terminate, and refuse to renew the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and (vii) report an AMC’s violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC’s operations, to the ASC.

### ***Requirements for AMCs***

The rule would require an AMC to register with, and be subject to supervision by, a state appraiser certifying and licensing agency in each state in which the AMC operates. As proposed, an AMC that is a subsidiary owned and controlled by a federally regulated insured depository institution or an insured credit union would be exempt from state registration requirements.

In addition, an all AMCs would be required to (i) use only state-certified or state-licensed appraisers for federally related transactions; (ii) establish processes and controls reasonably designed to ensure that the AMC engages appraisers who have the requisite education, expertise, and experience necessary to complete competently the assignment for the particular market and property type; (iii) establish processes and controls reasonably designed to ensure that the AMC conducts its **appraisal management** services in accordance with TILA requirements relating to **appraisal** independence; and (iv) require appraisers to perform **appraisal** assignments in accordance with USPAP.

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