

January 30, 2018

The Honorable Mia Costello, Chair
Senate Labor and Commerce Committee
Alaska State Capitol
Juneau, AK 99801

Cc: Senator Kevin Meyer



RE: Support for SB 155 – Appraisal Management Company (AMC) Regulation

Greetings Chair Costello and distinguished members of the Labor and Commerce Committee:

On behalf of the Appraisal Management Companies (AMCs) represented by the Real Estate Valuation Advocacy Association (REVA), we strongly support passage of SB 155. We believe this legislation will enact fair and balanced regulation of AMCs in Alaska.

REVA is an industry trade association whose membership includes 27 AMCs that collectively provide a majority of the residential appraisal transaction volume nationwide on behalf of mortgage lenders, many of whom serve Alaska consumers. In addition, many REVA members also provide other important lender valuation services such as Broker Price Opinions (BPO) and Alternative Valuation Methods (AVM).

Background

AMC's are in a precarious situation whereby they need to advocate for their own regulation by all 50 states and the five U.S. territories to avoid a massive disruption in the residential mortgage servicing for consumers and lenders in Federally Related Transactions. Therefore, while generally we believe in less state government regulation, REVA members do support minimal state regulation that complies with the federal mandate under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Dodd-Frank added section 1124, Appraisal Management Company Minimum Requirements, to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 19893 (Title XI). Section 1124 required the Office of the Comptroller of the Currency (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Bureau of Consumer Financial Protection (Bureau); and Federal Housing Finance Agency (FHFA) (collectively, the agencies) to establish, by rule, minimum requirements for State registration and supervision of AMCs. In accordance with the statute, the agencies recently issued a final rule (referred to as the AMC Rule) which was published on June 9, 2015, with an effective date of August 10, 2015. States have 36 months to comply.

State AMC Regulation

There are currently 46 states that regulate AMCs. The following four states and the District of Columbia are working to pass legislation to regulate AMCs in compliance with the Final Federal AMC Rules deadline (Aug. 2018). Each bill is created by consensus with key stakeholders and mirrors the federal minimum standards.

Alaska SB 155 introduced in 2018
D.C. Bill to be introduced in 2018
Mass. H 577 has passed House

New York Bill to be introduced in 2018
Ohio H 213 has passed House

About AMCs

AMCs existed well before the 2008 global financial crisis. Today, AMCs play an increasingly important role as third-party service providers in the consumer mortgage process. They are hired by lenders and/or other financial institutions to manage an independent and compliant process to determine the price and/or value of a residential real estate. Valuation tools include Appraisals, Broker Price Opinions (BPOs) and Automated Valuation Models (AVMs), among other products. AMCs work with certified appraisers and other real estate professionals across the nation to get this work accomplished.

AMCs have become increasingly popular by lenders to ensure federal and state regulatory compliance and independence requirements between lenders and appraisers to protect consumers are met, as required by Dodd-Frank.

Residential lenders consider AMCs highly-valued partners due to the many essential valuation-related functions they fulfill, including

- Maintaining a qualified panel of licensed appraisers ready to execute lender valuation assignments.
- Ensuring appraiser independence by safeguarding against undue influence in the valuation process.
- Providing quality assurance processes in the delivery of final appraisal and valuation products.
- Supporting a smooth, timely and responsive mortgage process for consumers and lenders.
- Complying with federal and state laws governing valuation products and services.

AMCs Play a Vital Role in Protecting Consumers

- **Safeguard Appraiser Independence and Protect Against Fraud** – AMCs help ensure that appraisals are completed in compliance with federal and state law and that the opinion of value was achieved by the appraiser independently, without undue influence. Prevention of coercion is critical to avoiding collusion within the valuation process and therefore potential fraud.
- **Help Lower Costs Associated with Borrowing** – While compliance with state and federal laws and rules is a big reason for lenders use of AMCs, another one is that lenders have high overhead and must compete in a competitive marketplace. The use of AMCs helps them provide services efficiently and cost effectively to benefit consumers while ensuring payment of Customary & Reasonable Fees to appraisers.
- **Provide Quality Controls** - AMCs employ quality control measures to ensure the integrity of a supportable, dependable and credible appraisal, which can identify mistakes and fraud in appraisal reports that protect consumers from faulty opinions of value.
- **Reduce Turnaround Times** - AMCs employ valuation experts to screen appraisal reports to identify issues early and have a much larger success rate in resolving valuation issues without causing unnecessary delays and mitigate consumer dissatisfaction.
- **Protect Public Safety** – Consumers are provided an extra layer of safety and protection as AMCs complete background checks of appraisers before they can be employed or empaneled. Further, AMCs continue to monitor their appraisers while they are employed or empaneled to ensure that unqualified appraisers or those that may pose a threat to public trust or safety are removed.
- **Assist Appraisers with Consumer Questions** - AMCs work with appraisers to resolve questions and provide the borrower/lender an ability to submit value appeals while complying with appraiser independence.
- **Provide Customer Service Issue Resolutions** - AMCs resolve customer service concerns that are not directly related to the appraisal process through their access to lenders that the consumer may not otherwise have.

AMCs are Integrated into America's Mortgage Lending and Secondary Markets

A majority of lenders now use AMCs exclusively for the facilitation of residential appraisals. The remaining lenders (primarily smaller) manage their own in-house appraiser panels, many of which use their own panels which often include the use of AMCs. But, there is great uncertainty by lenders and AMCs as to what will or won't qualify as a Federally Related Transaction (FRT) because it may change over the loan life-cycle from FRT to non-FRT and back to FRT.

- **Act as a Compliance Partner for AMC Regulations** - Serve as invaluable partners for ensuring efficiency and compliance with state and federal AMC regulations.
- **Ensure Lender Compliance with Banking and Mortgage Regulations** - Support lender compliance with federal banking regulations (e.g., Fed, FDIC, OCC, CFPB) governing mortgage lending.
- **Help Reduce Costs & Ensure Appraiser Independence** - Large and medium sized lending institutions have indicated that they need independent AMCs, because of the cost for them to establish and maintain the necessary internal firewalls for effective appraiser independence compliance.

Thank you for considering our comments. Please do not hesitate to contact me with questions.

Respectfully,



Mark Schiffman
Executive Director