
APPRAISAL MANAGEMENT COMPANY

STANDARDS OF GOOD PRACTICE IN APPRAISAL MANAGEMENT

JANUARY 6, 2010



POST OFFICE BOX 1196
WEXFORD, PA 15090
(P) 724-934-1420
(F) 724-934-0057
(W) WWW.TAVMA.ORG

APPRAISAL MANAGEMENT COMPANY

STANDARDS OF GOOD PRACTICE IN

APPRAISAL MANAGEMENT

Executive Summary

The Title Appraisal Vendor Management Association (TAVMA) is a trade association of the real estate mortgage settlement services industry. Our membership includes, among others, appraisal management companies (AMCs), whose role it is to manage the appraisal fulfillment process on behalf of their mortgage-lending clients. The TAVMA Standards of Good Practice in Appraisal Management outlines various operating and business practices that appraisal AMCs can incorporate into their business models to help ensure that quality valuations are provided to financial institutions in a timely and useful manner. The standards relate to various operational practices of AMCs, including panel management of qualified appraisers, quality control, workflow, regulatory compliance and customer service, while remaining consistent with federal inter-agency guidance, the Home Valuation Code of Conduct (Code), and other relevant federal and state statutes and regulations.

AMCs typically operate centralized processing centers from which they offer services on a regional or national basis. They manage and oversee networks of staff and/or independent, third-party service appraisers ('vendors') as well as all of the ordering, tracking, and delivery tasks associated with the vendors' offerings. AMCs may, among other services:

- (i) recruit and qualify vendors for the networks, as well as verify their licensure and/or certification, check references and audit work samples;
- (ii) negotiate and set service level expectations with individual vendors;
- (iii) assume loan-level administrative duties for the large numbers of transactions in their pipelines, including order entry and assignment, tracking order status, updating clients on delays,

- performing both pre- and post-delivery quality control, transmitting to and archiving appraisal reports for clients, handling payment, engaging in dispute resolution between lenders and appraisers, and ensuring proper record retention;
- (iv) provide a single point of contact for lenders and uniformity across jurisdictions;
 - (v) perform quality control assessments of completed appraisal reports to ensure conformity to appraisal guidelines of Government Sponsored Enterprises;
 - (vi) warrant the quality of appraisals ordered from participating vendors;
 - (vii) develop and offer technology interfacing that permits auto assigning, tracking, and reviewing and the electronic delivery of reports to increase the efficiency of the appraisal process; and
 - (viii) develop and offer new products, risk scoring models, MISMO-compliant delivery options and other process improvements.

The Standards of Good Practice in Appraisal Management is organized into nine (9) sections:

- Supplier Recruitment & Coordination
- Appraisal Order Assignment
- Order Tracking & Workflow Management
- Pre- and Post-Delivery Quality Control
- Appraisal Delivery
- Customer Service, Dispute Resolution, Client Pressure
- Product and Technology Development and Utilization
- Sales, Marketing and Administration
- Training & Development.

Table of Contents

Executive Summary	1
Section 1 – Supplier Recruitment and Coordination	4
Section 2 – Appraisal Order Assignment	5
Section 3 – Order Tracking and Workflow Management	6
Section 4 – Pre- and Post-Delivery Quality Control	6
Section 5 – Appraisal Delivery	7
Section 6 – Customer Service, Dispute Resolution, Client Pressure	8
Section 7 – Product and Technology Development and Utilization	9
Section 8 – Sales, Marketing and Administration	10
Section 9 – Training and Development	11
About TAVMA	11

Section 1 – Supplier Recruitment and Coordination

Overview

Recruiting staff and independent appraisers and coordinating panels of appraisers are central to appraisal vendor management. Appraiser recruitment can be divided into two (2) categories: tactical recruitment, in which the AMC recruits an appraiser to fulfill an assignment in an area lacking coverage; and strategic recruitment, in which the AMC recruits additional appraisers to fill service gaps or to augment or replace existing vendors. Although the same due diligence and care apply to both situations, tactical recruiting often requires quicker decisions, since there is an appraisal order in the queue awaiting assignment.

Standard of Good Practice

In Supplier Recruitment and Coordination, an AMC should adhere to the following Standard of Good Practice.

An AMC should:

- Maintain and periodically review and update policies and procedures for recruiting and transitioning qualified certified and licensed appraisers to its appraiser panel. These policies and procedures should include standards and guidelines for appraiser due diligence, minimum education and experience, licensure/certification, work sample review, background checks, fee and service level agreements, and references.
- Engage management personnel to periodically review vendor recruitment procedures to be sure that they are still relevant and are being followed; that recruiting personnel are trained on appropriate standards and guidelines, and that appraiser files are audited to ensure that the recruiting procedures are being used. Management should update recruiting guidelines based on audit results.
- Base the hiring or engagement decision on the qualifications of the appraiser consistent with the company's recruiting standards and guidelines and any additional criteria provided by the lender. While the appraiser fee may be considered, it should not be the exclusive factor.
- Monitor and document the performance of appraisal vendors over time. Such monitoring should ensure that measurements of characteristics, such as service levels, customer service, timeliness, and particularly quality, are fair and accurate.

- Ensure, prior to engaging an appraiser, that the appraiser is appropriately licensed or certified by the state and for the property type in which the appraiser will perform assignments.
- Recognize that licensing or certification is a minimum qualification for eligibility for an appraisal assignment and therefore should not base engagement of an appraiser solely on a valid appraiser license or certification. The AMC should also consider an appraiser's experience, education, designation, proximity to and familiarity with the area(s) in which the appraiser proposes to complete appraisals, etc.
- Rely on the objective evaluation of past performance in determining the eligibility of an appraiser for an appraisal assignment.

Section 2 – Appraisal Order Assignment

Overview

In order to effectively select an appraiser for an assignment, AMC order assignment personnel and management need to understand and provide the appraiser the requirements of an assignment including basic property characteristics, loan types, turn time, lender specific addenda, etc. Moreover, AMC personnel should address the capabilities, geographic proximity, expertise and availability of potential appraisers in relation to these appraisal assignments.

Standard of Good Practice

In Appraisal Order Assignment, an AMC should adhere to the following Standard of Good Practice.

- Obtain an understanding of each appraiser's competency in greater detail than licensure. Appraisers have different experience levels and understanding detailed competencies improves product quality. The types of competencies that AMCs need to track include complex properties, modular, multi-family, acreage, FHA, REO, Desk Reviews, and Field Reviews.
- Work should not be assigned to appraisers not familiar with a market or not competent to complete the specific assignment. Note: according to USPAP, it is the ultimate responsibility of the appraiser to only accept work that s/he is competent to complete.

Section 3 – Order Tracking and Workflow Management

Overview

Order tracking and workflow management largely is accomplished using transaction management systems (TMS). Automated order assignment, tracking, statusing and reporting systems enable AMC's to manage high volumes of work, and in fact enable them to focus on exception management (orders that fall out of the normal production continuum). The complexity and proprietary nature of these automated TMS tools make standards of practice for the technological development and application of these systems beyond the scope of this document. Even within such environments, however, there remain numerous opportunities for human intervention in order tracking and workflow management. The following standards of good practice relate to situations in which AMC personnel interact with their appraisers.

Standard of Good Practice

In Order Tracking and Workflow Management, an AMC should adhere to the following Standard of Good Practice.

- After the AMC assigns the order, the appraiser is responsible for inspecting the property and completing the requested report. The AMC should require status updates for each of the steps. Appraisers should be expected to provide updates either verbally or through email or a website on a regular basis and, if appraisers do not provide updates, the AMC has the right to contact the appraiser to request a status report.
- AMC personnel should seek clarity in interacting with appraisers. Instructions and agreements should be clear and specific as to expectations of quality, service, and cost. Whenever possible discussions with appraisers and any instructions and agreements should be notated in an electronic notepad or paper file.

Section 4 – Pre- and Post-Delivery Quality Control

Overview

AMCs employ different methods and technologies to conduct pre- and post-delivery quality control. The standards in this section do not endorse or prescribe one methodology or technology versus another in

performing these functions. Rather the standards focus on the important functional aspects of pre- and post-delivery quality control within an AMC production, quality control and risk management operation.

Standard of Good Practice

An AMC should adhere to the following Standard of Good Practice in managing Pre- and Post-Delivery Quality Control.

- AMCs should implement and manage a quality control program to assess the work submitted by the appraiser panel.
- The appraiser should be asked to confirm that the completed report meets all of the lender's requirements as documented on the engagement letter.
- AMCs are entitled to maintain a list of approved appraisers as well as a list of disapproved appraisers. With this entitlement comes a responsibility for ethical and professional treatment of appraisers. AMCs should only place appraisers on the disapproved list if the AMC determines and documents that the appraiser provided unacceptable products or service. Appraisers may also be disapproved by lenders, GSEs or other AMC clients, and AMCs may be required to include those disapprovals on their list(s). As a general rule, the AMC should not include an appraiser on the disapproved list unless such action is based upon substantiated complaints or confirmed information and appropriately documented.

Section 5 – Appraisal Delivery

Overview

Appraisals may be delivered between the appraiser and the AMC or the AMC and the lender by various means including electronic transfer or hard copy format either through the mail or overnight delivery service. Therefore, this section is designed to establish standards of practice that are relevant regardless of the means of delivery.

Standard of Good Practice

In Appraisal Delivery, an AMC should adhere to the following Standard of Good Practice.

- Once a completed report passes the quality control review, the appraisal as delivered by the appraiser should be delivered to the lender in PDF format or other format as agreed to by the AMC, the lender, and the appraiser. Typical delivery channels include website upload, portal upload, email or hardcopy.

Section 6 – Customer Service, Dispute Resolution, Client Pressure

Overview

The standards within this section describe what an AMC representative should do or avoid in interactions with appraisers and customers.

Standard of Good Practice

An AMC should adhere to the following Standard of Good Practice in managing Customer Service, Dispute Resolution, and Client Pressure.

- AMCs should provide lenders with a forum to request corrections, explanations, or resolution of value disputes through a managed, responsive, non-pressure based process.
- Value reconsideration requests should be managed through the AMC's dispute resolution staff that should be knowledgeable of appraisal requirements as well as be sensitive to avoidance of undue influence.
- AMCs should provide panel appraisers with access to a phone number and email address through which they can report undue influence by anyone in the appraisal process. This includes lenders, mortgage brokers, borrowers, appraisal management companies, Realtors, or builders. The following controls are recommended to ensure that no undue influence occurs in the process:
 - Documentation of phone number and email address procedures
 - Hotline phone number and email address activity log
 - Documentation of action taken in response to complaints.
- AMCs should not make any payment, threat or promise, directly or indirectly, to any appraiser for the purposes of influencing the independent judgment of the appraiser with respect to the value of the property.

- AMC's should have written policies in place that strictly prohibit anyone within the AMC, and any client of the AMC, from attempting to influence an appraiser with the goal of altering the outcome of an appraisal report.
- AMC's should be clear about what internal sanctions parties applying inappropriate pressure will face.
- AMC's should provide a copy of the AMC's written appraiser independence policy along with independent contractor agreements that place a strong emphasis on the appraiser as an independent third-party.
- AMC's should develop channels which allow for the appropriate, non-pressured transmission of market data from other parties (builder, real estate agent, etc.) through the AMC and to the appraiser for consideration in the analysis.
- AMC's should encourage appraisers to make reports of inappropriate contact on the part of the AMC or the client of the AMC to appropriate regulatory authorities.
- AMC's should spell out what actions on the part of the appraiser may result in his or her removal from the AMC's panel.
 - AMC's only utilize the dispute resolution process outlined as part of an agreement with an appraiser.
 - AMC's attempt to resolve disputes with panel appraisers through an internal rather than public process.
 - AMC's provide written notice to the appraiser who is the subject of possible removal from an AMC's panel.
 - AMC's permit an appraiser who has been identified for possible removal from the AMC panel to respond in writing.

Section 7 – Product and Technology Development and Utilization

Overview

The AMC industry has been influential in the development of innovative products and technological systems in the real estate appraisal industry. From the onset of the information age, AMC's have been leading the development of standardized appraisal development software, electronic appraisal data transmission devices, automated rule-based pre-delivery quality control systems, electronic data interchange (EDI) systems in partnership with lender/clients, and more.

Standard of Good Practice

In Product and Technology Development and Utilization, an AMC should adhere to the following Standard of Good Practice.

- AMCs should have policies and systems in place to ensure the confidentiality of the data that the AMC receives from its client upon engagement for an appraisal assignment.
- AMCs should require that appraisal reports are submitted in a secure format.
- Appraisals are AMCs' core business, so investment in technological infrastructure, and information security specifically suited for the appraisal process should be among the AMCs' primary concerns.

Section 8 – Sales, Marketing and Administration

Overview

There are numerous front and back office functions and roles that AMCs assume on behalf of both clients and appraisers. For instance, when an appraisal is ordered directly through an appraiser, he or she is responsible for performing each of these functions. When an appraisal is ordered through an AMC, individual appraisers are responsible only for the development and reporting of the appraisal itself. The AMC typically performs all other sales, marketing and administrative functions and AMCs should adhere to the following standards of good practice when performing these roles and marketing the AMC and appraiser panel to clients.

Standard of Good Practice

An AMC should adhere to the following Standard of Good Practice in Sales and Marketing Management.

- Emphasize to clients the benefits of having an appraisal that is performed by a qualified and competent appraiser.
- Accurately portray in print, online marketing materials, responses to requests for proposals, and all client communications the role of AMCs in the real estate mortgage finance settlement services industry.
- Educate clients that fees for services are based on intended use and users and the complexity of the property, and not on an appraisal form type.

- Appraisers should be paid fairly and promptly for work completed, provided the work meets USPAP and client specific guidelines and is compliant with state and federal law. The value opinion cannot be the basis for not paying an appraiser for an appraisal report.
- AMCs should encourage innovation, productivity tools, and technology interfaces for appraisers and lenders to incorporate that allows for better communication, compliance, and efficiency.

Section 9 – Training and Development

Overview

Training and employee development are key aspects of an appraisal management operation. Personnel that are well trained in various aspects of appraisal management and professional appraisal practices are a valuable asset to the company and the appraisal management profession.

Standard of Good Practice

In Training and Development, an AMC should adhere to the following Standard of Good Practice.

- AMC's should train their personnel on various state and federal laws, regulations, standards, and other documents that guide the real estate valuation process.
- AMCs should not be responsible for the training or education of appraisers unless they are W-2 employees. However, AMCs may provide such training as they deem necessary.

About TAVMA

TAVMA is the trade association of the real estate settlement services industry. Headquartered in the Pittsburgh area of Southwest Pennsylvania, TAVMA represents more than 80 companies engaged in the real estate settlement services industry, including 46 appraisal management companies. Together, TAVMA's AMC members have 80% to 85% market share in the appraisal management sector. TAVMA promotes the appraisal management and settlement services industry, presents its members' positions to government and media, and protects its members' rights to do business without unfair and anticompetitive legislation and regulations.