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 **Wash. AMC Fails, Leaving Appraisers Unpaid**

By Isaac Peck, Editor

When an Appraisal Management Company (AMC) fails it is usually appraisers who are left holding the bag. Many appraisers are now reporting that the William Craig Company, Inc. (WCCI), based in Washington (Wash.), is closing its doors with up to $250,000 in unpaid fees owed to appraisers.

In early February, Jenna Bell, a Business Relations Specialist at WCCI, sent out an email to many appraisers on its panel indicating that “2015 has been one of the toughest years” for the company and that in order for WCCI to continue operations it “would have to clear out all appraiser vendors to be paid.” The email goes on to propose that, in lieu of payment for unpaid appraiser fees, WCCI would “transfer a portion of WCCI company stock to each appraiser in exchange for the balance WCCI shows you have invoiced as of 2/8/15.”

Bell continues: “This would mean that you would become a part owner in WCCI with dividends and decision making capabilities moving forward. The only way we will be able to make this happen and ensure that WCCI lives on and continues to be fully appraiser owned & operated, we must get all of our appraisers’ with outstanding balances to agree.”
Citing the specific amount owed to each appraiser, Bell then offers WCCI stock in exchange for the unpaid balance owed to each appraiser. One appraiser who was owed $1,425 was offered six shares of WCCI, or 0.5% of the company, according to an email obtained by WRE. Another appraiser who was owed $8,600 was offered 36 shares or 2.7% of the company. Based on these numbers, this suggests a company valuation of between $285,000-$318,000 and indicates that the total balance owed to appraisers may total up to $240,000, although it could be more.In the email, Bell writes that the proposal would “change the corporate stockholders from one, to a new estimated total of 140 stockholders,” hinting that up to 140 appraisers are currently owed unpaid balances by WCCI. Additionally, the email states that the current owner/sole stockholder (believed to be Jacob Amy), would retain 25% of the total company stock. Jacob Amy, the president of WCCI at the time of this writing, recently took over the company from the founder William Craig Kogelschatz.

In the email, Bell encourages appraisers to accept stock in lieu of payment, writing that “based our proposed budget moving forward, we estimate that shareholders should see a full return of their investment per this proposal in approximately two years but it would provide a lifetime of potential income.”

**Appraisers Push Back**Wash. appraiser Jill Smith (not her real name for fear of retaliation/blacklisting) says that she has worked with WCCI for several years and only recently began to worry about the sustainability of the company as the checks she received began to bounce.

No appraiser who Smith has spoken to so far is interested in WCCI’s proposal, she says.  She says she has talked to nearly 20 of the 140 affected appraisers, including one appraisal company that is owed nearly $40,000 in unpaid fees. WCCI owes Smith nearly $10,000 for her appraisal work and she doesn’t intend to let it go without a fight. “As soon as I received the email from WCCI, I filed complaints with my state, the FDIC, the FBI, Wash.’s department of Labor and Industries, the Department of Financial Institutions and my state Attorney General. I even sent emails to Fannie Mae and Freddie Mac,” says Smith.

The frustrating part for Smith is that no federal or state regulators seem to be taking this situation seriously. “No one finds the seriousness in this situation. Here is a company that has taken money from their clients and never paid the appraisers who did the work. This guy is going to get away with stealing hundreds of thousands from appraisers and no one cares,” according to Smith.

Smith encourages all appraisers to file complaints with Wash.’s Attorney General and call for an investigation into WCCI and its owner, Jacob Amy. “I’ve been told we need at least 100 complaints to the Attorney General for them to even consider looking at it. I see this as a case of potential fraud and grand theft. I have already sent them a letter saying that I felt this was fraud and asked them to look at it. I’ve done everything I can possibly do and I encourage appraisers to do the same,” Smith says.

**Closed Doors**
According to Smith and several other Wash. appraisers, WCCI’s office is now empty, with all computers and furniture removed from the building.  Smith says they also have stopped answering phone calls or returning emails. *Working RE* could not reach WCCI by phone and received no response to multiple emails.

**Value of AMC Bond**
Fortunately for appraisers, Wash.’s State Department of Licensing requires a $100,000 Surety Bond for all licensed AMCs. WCCI appears to be currently bonded so there may at least be some form of compensation for unpaid appraisers. However, according to Smith, the Bond will pay on a first-come, first-served basis, so once the bond’s $100,000 is exhausted, any appraisers or creditors filing afterwards will be left unpaid.  There may also be non-appraiser creditors/lenders who will file against the bond as well, which would further reduce the amount paid to appraisers from the bond.

Wash.’s AMC bond requirements have some of the highest limits in the country, with many other states requiring bonds of as little as $25,000. The calling of WCCI’s bond will mark one of the first instances where an AMC bond has been *called* and used to pay appraisers; many of the larger AMC failures took place before many states developed AMC licensing and bonding requirements.

WCCI’s failure is relatively small compared to other AMC failures, with [AppraisalLoft owing nearly $3 million in unpaid appraisal fees](http://www.workingre.com/lender-paying-appraisers-stiffed-by-appraiserloft/) and [Evaluation Solutions/ES Appraisal Services owing $11 million](http://www.workingre.com/wp-content/uploads/2013/10/AMC-Fails-Appraisers-Stiffed-Again-NE.html) to appraisers, agent and brokers for appraisal and broker price opinion services.

However, even though the total amount owed WCCI seems relatively small, the fact remains that Wash.’s $100,000 bond will fall significantly short of the amount needed to make all appraisers whole.  Consequently, WCCI’s failure may prompt other states to consider raising (or adopting) AMC bond requirements and limits.  Currently, less than 25 states have AMC bond requirements.

According to Smith, affected appraisers must file a lawsuit in order to collect on the bond. “You need to file a lawsuit in federal court showing proof of what you are owed. It’s not inexpensive to file it,” says Smith.

**What to do?**
In past AMC failures, appraisers have employed strong arguments that lenders are ultimately responsible for the actions of their agents. Dodd-Frank states: **129E (i) 1**: ‘*Lenders and their agents shall compensate fee appraisers at a rate that is customary and reasonable for appraisal services performed in the market area of the property being appraised.’”*

Lenders and their agents are required to pay appraisers Customary & Reasonable fees, so if the lender’s agent does not pay an appraiser, it follows that the lender is on the hook. Some appraisers who refuse to accept being left with thousands in unpaid appraiser fees have been successful in deploying this argument in small claims court (See [Appraiser Wins "AMC-Agent" Judgment Against One-West Bank](http://www.workingre.com/wp-content/uploads/2013/10/Appraiser-Wins-AMC-Agent-Judgment-NE.html)).

In the case of WCCI, its biggest lender client is Boeing Credit Union.

Richard Hagar, SRA and national regulatory expert, agrees that in cases where an AMC fails to pay an appraiser, the lender is responsible. “Numerous federal regulations and guidelines make it clear that the lender is absolutely, unequivocally responsible for the actions of their third party vendors,” argues Hagar.

Hagar cites the Interagency Appraisal and Evaluation Guidelines (Docket ID OCC-2010-0012) which indicate that the lender must monitor and audit their AMCs on a regular basis. In other words, if the AMC was experiencing financial difficulties, the lender should have been aware of it and taken appropriate action. The Guidelines state: “An institution that engages a third party to perform certain collateral valuation functions on its behalf is responsible for understanding and managing the risks associated with the arrangement. An institution should use caution if it engages a third party to administer any part of its appraisal and evaluation function. An institution is accountable for ensuring that any services performed by a third party, both affiliated and unaffiliated entities, comply with applicable laws and regulations and are consistent with supervisory guidance. Therefore, an institution should have the resources and expertise necessary for performing ongoing oversight of third party arrangements.”

The Federal Reserve Bank also requires that a lender’s “board of directors and senior management must retain accountability for any outsourced activity,” including to:

- Create a management structure to establish, manage and monitor the outsourcing arrangement.
- Retain key individuals from the outsourced function to manage and monitor the outsourcing arrangement,

- Perform due diligence on the service provider to ensure technical capabilities, managerial skills, financial viability, familiarity with the financial services industry, and a demonstrated capacity to keep pace with innovation in the marketplace.

- Involve internal and/or external audit in the entire outsourcing process.

- Ensure that contingency plans are formulated and viable in the event of nonperformance by the service provider.

Hagar says if an AMC doesn’t pay the appraisers, that is a failure of the bank or credit union to monitor the actions its “agent.” “The failure of the AMC to pay appraisers is an indicator that the lender failed to properly manage and audit their third-party relationships as required by federal regulations. Appraisers who are left unpaid by WCCI should write a physical letter to the Compliance Officer of the bank/client and tell them what has happened, notifying them that the bank is responsible for payment. Don’t write war and peace. Keep it to a single 8 ½” x 11” piece of paper. These appraisals have been delivered to Boeing Credit Union and have its name on them. The lender is in possession of stolen property until payment is made. Lenders are responsible for their third party vendors,” says Hagar.

In addition to demanding payment from the lender (with a lawsuit if necessary), affected appraisers can also file complaints with the following regulatory agencies:

**Federal Deposit Insurance Corporation:**
<https://www.fdicig.gov/hotline.shtml>

**Appraisal Subcommittee:**
<https://refermyappraisalcomplaint.asc.gov/default.aspx>

**State of Washington Attorney General:**
<http://www.atg.wa.gov/file-complaint>

**State of Washington – Department of Licensing – Appraisal Division:**
<http://www.dol.wa.gov/business/appraisers/appcomplaint.html>

**Consumer Finance Protection Bureau:**
<http://www.consumerfinance.gov/complaint>

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**About the Author**
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