

# The Trick to Reducing Risk

A trusted appraisal management partner can alleviate property-valuation fears

By George K. Demopulos and Christina Improta

**W**hat is an appraisal management company (AMC)? Simply put it is a business that oversees a network of certified, licensed appraisers and is focused on fulfilling real estate appraisal assignments on behalf of mortgage lenders, as well as other entities.

That's the official definition. An AMC is much more than that, however. An AMC must be a trusted, strategic partner that demonstrates excellence in managing a high-quality appraiser panel while providing superior customer service.

That's not all. AMCs also must remain compliant with all aspects of federal, state and banking-agency guidelines to help reduce lender risk. A quality AMC, then, adds an important level of protection for the appraisal process and for mortgage originators.

## Performing a buffer role

In the wake of the financial crisis some 10 years ago, regulations were adopted that required a firewall to be in place between the loan-production staff and those selecting appraisers and ordering appraisals. AMCs have existed for decades, but for the first time, as a result of the new industry environment, their role of acting as a buffer between lender and appraiser became a recognized, valuable and regulated part of the mortgage process.

Unprecedented regulation, coupled with intense competition, has made the business of mortgage lending a challenge. The nation's leading lending institutions, mortgage originators, investment banks, mortgage-insurance and mortgage-servicing companies realize that in order to reduce risk, they must exceed compliance standards.

The best way to accomplish this is to work with an AMC that is committed to providing the best in appraisal-management services

and the highest-quality customer service. That starts by partnering with the best appraisers.

## Recruiting the best

A fully licensed AMC must embrace all federal and state laws, agency policies and client requirements related to consumer protection and appraiser independence. Additionally, an experienced AMC must value the important and vital contribution of their appraiser partners. It is imperative for AMCs and their clients to view this as a partnership and not as a vendor relationship.

AMCs must consistently recruit and attract appraisers from around the country in order to maintain a comprehensive nationwide appraiser network for their clients. This begins by partnering with appraisers who are the most educated, experienced and dedicated to appraisal quality and superior customer service.

The best AMCs select appraiser partners who can meet the following guidelines:

- **Demonstrate an extensive understanding** of the appraisal process and the most current standards, and are geographically competent to complete all assignments;
- **Perform all appraisals** in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), Fannie Mae and Freddie Mac requirements and all applicable state and federal laws as well as client guidelines;
- **Ensure they are licensed and/or certified** in the states where they work, carry comprehensive errors-and-omission insurance and provide background checks as needed; and
- **Provide work samples** and references.

## Building connections

Appraiser partners are valued members of the AMC team. A quality AMC will offer a

documented welcome and on-boarding process, including a service-level agreement as well as a registration and user guide to access an appraisal platform.

AMCs also develop screening and on-going assessment processes and benchmarks to measure and track performance for their appraiser partners.

A quality AMC assigns an appraisal order to the best appraiser using a specific set of factors — which include an assurance of geographic competency, proximity to the subject property, license level, education, appraisal-quality history, turn-time performance and capacity at the time of order assignment.

Additionally, AMCs should offer strategies to appraisers to improve efficiencies and increase work volume. Recognition of

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**George K. Demopulos** is president and chief valuations officer at Lincoln Appraisal and Settlement Services. Demopulos holds the MRICS, RA, SRA and AI-RRS designations and is a certified residential appraiser in five New England states. He has more than 23 years of experience in all aspects of appraising. Visit [lincolnappraisal.com](http://lincolnappraisal.com) for more information. Reach Demopulos at [info@lincolnappraisal.com](mailto:info@lincolnappraisal.com).

**Christina Improta** is an appraisal-management specialist at Lincoln Appraisal and Settlement Services. Improta entered the real estate appraisal industry in 1999 as a client-service representative in New Jersey, working for Ebert Appraisal. In October 2004, she joined Lincoln Appraisal's team and now assists the company's appraiser partners on a daily basis. Reach Improta at [info@lincolnappraisal.com](mailto:info@lincolnappraisal.com).

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appraisers who are committed to excellence in service and quality is an important part of the partnership. Individuals who continually complete high-quality appraisals should receive assignment priority and rewards for reaching new milestones.

To fully support appraiser partners, AMCs should have both client-services and appraiser-management teams that have been trained in consumer protection, appraiser independence and the USPAP. The client-services team works on the front lines with clients and appraisers maintaining detailed knowledge of the appraisal pipeline and client requirements.

AMCs also must ensure a personal connection to appraisers in the field. Business partnerships thrive when that connection is in place. Electronically updating appraiser profiles and documents is a necessary component of getting the job done right, but so too is the ability to work together as a team.

The appraiser-management team whose primary role is to assist appraisers with

managing their profiles also continually recruits appraisers for the AMC. This team addresses any appraiser-related issues, assuring the partner they are respected and will be treated fairly.

A quality-assurance team should be comprised of licensed and certified appraisers with decades of appraisal experience, both on the road and as in-house reviewers. This will help to further ensure quality appraisal services. The best appraiser partners deserve the best in appraiser management.



By consistently providing the highest-quality work and exceptional customer service, a successful AMC and appraiser partnership can raise the standard of excellence and public trust in the mortgage profession. This will ensure an AMC's clients can meet compliance standards and reduce risk while borrowers, and the mortgage originators assisting them, are well-served by both the AMC and the appraiser. ■