

## **Doing the Math: Appraisers Who Work With AMCs (Part 1)**

By Jeff Schurman

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"In the past, the majority of appraisal management companies appear to have been focused entirely upon the factors of pricing and turnaround time. Appraiser credentials, experience and competency largely have been ignored by the typical AMC business model."

~ Home Valuation Code of Conduct Letter  
Appraisal Institute, American Society of Appraisers,  
American Society of Farm Managers and Rural Appraisers,  
National Association of Independent Fee Appraisers  
April 30, 2008

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If a person can be judged by the company they keep then over half the residential appraisers in the United States have just been dissed. So has a significant segment of the appraisal industry's client base. And several of the nation's premier lenders. Is it just me or does the above quote, buried in a comment letter to a federal regulator no less, suggest that appraisal management companies (AMCs) and the appraisers who work with them ought to be blacklisted for malpractice? Ought lenders that choose to affiliate with AMCs be waved off as uncaring about appraisal quality? Not without empirical data, please.

Such mischaracterizations pay homage to an age old debate about whether appraisal management companies add value to an industry that has grown up in large part by capitalizing on the process improvements AMCs have brought to the market. I've heard them all many times before. What's different today is that we actually have history and experience that can be tapped to provide some actual facts. We know the makeup of our industry. Independent research firms have provided studies that we can use to gauge its performance over time. In short, we have the information we need to once and for all put this question to rest. And if demography is destiny, the future of appraising, too, appears to be working with AMCs.

**Let's do the math.**

### **1. Estimate the Total Number of Residential Appraisers**

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC)

National Registry of state certified and licensed real estate appraisers lists a total of 123,343 state-issued appraiser licenses and certificates. Of those, 37,555 are certified general (30%), 56,148 certified residential (46%), 28,579 licensed (24%) and 61 transitionally licensed appraisers (.05%). Some appraisers obtain licenses and/or certifications in multiple states and so are counted twice (or more) in the 123,343 total. The Appraisal Institute website says there are over 90,000 appraisers. TAVMA has estimated that there are 100,000 appraisers. And the October Research Corporation National Appraisal Survey (Volume 2) reported that there are 106,947 appraisers. So for this discussion let's say there are 100,000 certified and licensed appraisers. Some certified and licensed appraisers that don't actively appraise renew their licenses in case they decide to get back into the business. Others work as chief appraisers and staff appraisers for lending institutions and aren't available to take on independent fee appraisal work. Still others focus exclusively on commercial, industrial and other non-residential appraisal types.

**Answer:** There are about 60,000 active residential appraisers doing independent fee appraisals in the United States.

## 2. Estimate the Total Number of Residential Appraisers Who Work With AMCs

According to the same 2007 ORC survey, 63% of the 403 certified residential and/or licensed respondents said that they work with AMCs. Extrapolating this statistic to the entire residential fee appraiser population, it means that around 38,000 of the total 60,000 residential appraisers work with AMCs. Additionally, the ORC survey quantified the percentage of business that these (38,000) AMC appraisers receive as a percentage of their total appraisal business.

Below is the approximate numeric breakdown based on the ORC survey percentage of business from AMCs.

### Percentage of Business From AMCs

% Business From AMCs	% of AMC Appraisers*	# of AMC Appraisers
1% - 10%	53%	20,322
11% - 20%	17%	6,191
21% - 50%	15%	5,743
51% - 100%	15%	5,743
	100%	38,000

\* The 14% of respondents who didn't quantify % of business derived from AMCs is apportioned among the categories.

**Answer:** AMCs employ about 38,000 appraisers and almost half of these appraisers report that AMCs make up over 10% of their overall volume. Perhaps even more interesting is that the majority of appraisers (53%) that work with AMCs do most of their work outside of the AMC system but see economic value in taking on an AMC job when it comes up.

### 3. Estimate the Number of Appraisers Designated by Major Appraisal Trade Organizations Working on the Residential Side

The 2007 ORC appraiser survey reported that about 67% of the total appraiser population holds at least one professional designation. The table below breaks down the membership in the top nine (9) appraisal organizations. If there are 66,784 appraiser designations, and adjusting for individuals holding multiple designations, we can assume that there are 50,000 individual appraisers who hold at least one professional designation in the U.S. Lacking hard data to prove otherwise, it seems fair to assume that the split between residential and non-residential designations is about 70/30, given that the Appraisal Subcommittee registry (see Problem 1 above) indicates that 70% of the entries in the database are residential certified or licensed and 30% are certified general appraisers.

#### Number and Percentage of Designated Appraisers

Appraisal Organization	Membership	% Designated Appraisers
NAR (appraisers)	30,000	30%
Appraisal Institute	21,000	21%
ASA	5,000	5%
NAREA	3,000	3%
NAIFA	2,200	2%
NAMA	2,132	2%
ASFMRA	2,112	2%
CCIM	720	0.7%
IRWA	620	0.6%
<b>Designated Appraisers</b>	<b>66,784</b>	<b>67%</b>

**Answer:** About 35,000 designated appraisers work on the residential side of the appraisal business. As discussed in the first math problem, there are around 60,000 active residential appraisers doing independent fee appraisals in the United States. Therefore, about 58 percent of all active residential appraisers hold at least one professional designation.

### 4. Estimate the Total Number of Designated Appraisers Who Work With AMCs

Nothing in the ORC survey suggests that designated appraisers are more or less likely to work with AMCs. Nor have I, after spending 14 years in appraisal operations, quality control and risk management positions in the AMC industry, and the past 10 years as an independent consultant to the settlement services industry, ever come across empirical evidence that designated appraisers as a group have rejected the AMC business model. This observation is bolstered by the fact that appraisal trade organizations have tried to replicate the AMC business model over the years. So, on the one hand it would be appropriate to assume that 58% of the appraisers who work with AMCs hold at least one professional designation. Using this figure we can calculate that 22,000 of the 38,000 appraisers who work with AMCs are designated appraisers. However,

for this exercise we will take a more conservative line and assume that designated appraisers are less likely to work with AMCs.

The vast majority of criticisms of the AMC industry come from the appraisal trade publications, which assert to one or another degree of outrage that "No good appraiser would do work for an AMC" or "AMCs only hire appraisers who can't find work elsewhere" or "AMCs the designated appraisers who do residential appraisal work include AMCs as clients. So instead of 22,000 designated residential appraisers working with AMCs we'll go with just 11,000 who do so.

% Business From AMCs	% of AMC Appraisers*	# of AMC Appraisers (11k Total)	# Designated AMC Appraisers	% Designated AMC Appraisers
1% - 10%	53%	20,322	5,830	15%
11% - 20%	17%	6,191	1,870	5%
21% - 50%	15%	5,743	1,650	4%
51% - 100%	15%	5,743	1,650	4%
	100%	38,000	11,000	29%

\* The 14% of respondents who didn't quantify % of business derived from AMCs is apportioned among the categories.

The table above breaks down the numbers as they relate to designated appraisers and AMCs.

**Answer:** Extrapolating the ORC appraiser survey results to the total population of designated appraisers we can conservatively estimate that around 11,000 designated appraisers work with AMCs, although we believe the number of designated appraisers that work with AMCs to be far higher.

## Conclusions

- If 38,000 of the total 60,000 certified residential and licensed appraisers work with AMCs - including 11,000 or more designated appraisers - is it realistic to conclude that these are the 38,000 "bad" appraisers that we all worry about and that lenders and AMCs spend millions upon millions of dollars to weed out? It is very unlikely that this generalization comes near the truth.
- Is it accurate, given that all 38,000 AMC appraisers are licensed and/or certified professionals with legal duties to perform appraisals in compliance with USPAP, etc., and 11,000 designated appraisers who work with AMCs are duty bound to follow their appraisal organization(s) code of conduct, to suggest that AMCs focus entirely upon the factors of pricing and turnaround time, and that appraiser credentials, experience and competency largely have been ignored by the typical AMC business model? No. That statement cannot possibly be true based on the math.
- Is it fair to broadly assail 11,000 designated appraisers for working with AMCs? Should they be branded as unqualified simply because they work for AMCs? We hope not!
- Despite the claim, that "Appraiser credentials, experience and competency largely have been ignored by the typical AMC business model..." is there empirical evidence to

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dispute that AMCs use the same or better quality appraisers than is the norm for the industry?

The fact that 63 percent of all residential appraisers include AMCs as clients tells a very different story. A better approach would be to judge AMC versus non-AMC appraisers based on individual performance evaluations. Naturally, our critics are not eager to go there and we don't blame them.

### **Homework**

The intent of this article is to show that more appraisers - including designated appraisers - count AMCs among their clients than don't. I feel that this math lesson has done that. I'm guessing though that some will disagree with my analysis. And that's fine. We don't need to agree, and in fact, I look forward to an ongoing discussion of the topic. Therefore, your homework assignment is to illustrate, using hard data and well thought out analysis, where the math equations are on the money and where they need adjusting. As you may have guessed, however, generalizations absent quantities will receive less than full credit. So for now, class is dismissed.