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AMC's – friend or foe??

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There is no doubt that the residential appraisal industry has undergone significant change over the last several months. The economic environment continues to challenge us, the Fannie Mae 1004MC form has been introduced, and there has been a significant shift in the handling of the valuation process with the enactment of the Home Valuation Code of Conduct (HVCC). This and so much more have added to a good bit of higher blood pressure. But particular focus has been placed on Appraisal Management Companies (AMC's) since they were mentioned specifically within the HVCC.

AMC's have been around for years but previously permitted loan processes afforded plenty of opportunities for appraisers to get "full fee" work. Those days are now largely gone particularly on the mortgage broker side of the business. Few would argue that the influence of AMC's is likely to grow over the coming years. Indeed the HVCC and its' implied preference towards AMC's has created a large amount of stress, sour language, and even outright rebellion amongst the appraiser cadre.

The cries have been heard before – "We get beat up on fees and harassed with calls about status!" or "Those nasty AMC's make all the money for doing nothing!" or "Why would I take work at less than market rates?" or "I never get to talk through issues with an appraiser! or "The AMC's don't care about quality!" or "AMC's only hire those lowest in price and get a sub-par product as a result!" etc., etc., etc.

Given all this and more, I'm asked frequently – why would you choose to devote a good portion of your business to AMC's? As a valuation provider in 42 metropolitan markets including review and commercial work one would believe we can attract a good bit of business directly from lenders. And in fact we do. But our company is what it is today in large part due to the relationships we have had for up to 30 years with AMC's. They have provided a consistent stream of work that has allowed us to keep our employee appraisers on track for their careers. AMC's have caused us to strongly focus on our processes and report quality that has made our firm better. And I believe our appraisers have benefitted from all of this. In addition our relationship has become very mutual since we have helped AMC's in markets where they encountered service challenges. Indeed, in many cities our AMC business is the backbone of our volume.

Many will say that works for a large firm that can benefit from accepting work at a lower price knowing they will be able to make it up on volume. But even when we were a small organization of one (me) AMC work allowed me to leverage my time and devote more of my daily energy to what drew me to the business – being an independent thinking analyst. Taking away many of the distractions of business management such as marketing to clients, collection of invoices, and trying to balance appraisal ethics with client demands for a higher value.

Sure I accepted work at a lower fee but I had someone else (the AMC) making sure that client work would be forthcoming if I did my part. For the most part the assignments I did receive were from clients I could never capture on my own. AMC's had to worry about collecting the fee. They had to worry about managing the client relationship – a very tough proposition by the way. They made the big technology investments. They provided the reps & warrants. And honestly, they sometimes found errors in my work before it was delivered to the client that definitely improved me as an appraiser. My part of the deal – do quality work, on time, and keep them informed of important milestones along the way. Pretty reasonable and businesslike if you ask me.

I would never suggest that AMC's are the end all cure all for the real estate industry. And by no means does it work for every appraiser or even collection of professionals. But to label those that choose alignment with AMC's as being at the bottom of the heap bothers me big time. Other firms have also found a way to make the AMC system work. At our company we have had success in recruiting individuals with a career mindset aimed at truly progressing as a professional. Frankly I would rank our employees high in any comparison you would like to select. So we have been able to make it work with AMC's and without compromise on any front along the way.

Maybe a lot of what worries us about AMC's is a reflection of the change that surrounds the industry right now. Adapting ourselves to the new of today is not always so comfortable. Out of frustration we strike out at likely targets that will have easy association as being "the bad guys" in the eyes of many. I have to believe over time those committed to the best will find a way to adapt and do so in a way that continues their involvement in a profession important to not only ourselves but also the entire American economy.
