

More Changes Are Coming To The Appraisal Industry

About the only constant in the appraisal industry in the last year has been constant change. One piece of legislation in North Carolina will guarantee that will continue well into the next year.

Since the implementation of the HVCC, appraisal management companies have become a major player in the mortgage industry. Based on surveys done by the NAR, this change has generally caused chaos, increased costs, caused delays in the closing process and resulted in lost sales. The primary reason given for implementation of the HVCC was reducing mortgage fraud. According to a study done by the Mortgage Asset Research Institute, mortgage fraud increased 7 percent from 2008 to 2009. Most sectors of our industry consider this whole process to be a miserable failure.

The use of appraisal management companies by lenders has in many cases resulted in inexperienced appraisers coming in from out of the area doing appraisal work of very poor quality. This situation was largely due to the fact that appraisal management companies were an unregulated entity.

The North Carolina General Assembly passed a law regulating appraisal management companies this past July. While this new law will not eliminate many of the problems created by the HVCC, it should result in better quality appraisals for lenders using the services of appraisal management companies. Prior to the passing of this legislation, appraisal management companies were not regulated and were not under any responsible jurisdiction. Appraisal management companies are now under the jurisdiction of the North Carolina Appraisal Board. By January 1, 2011, any appraisal management company operating in North Carolina must be licensed by the NCAB. The NCAB is currently going through the rule making process, but there are some requirements that are known.

All appraisal management companies must have a compliance manager on staff. That person must be a certified real estate appraiser licensed in North Carolina or in a state with comparable licensing laws. All persons who own more than 10% interest in an AMC must be of good moral character and must never have had an appraisal license denied, cancelled or revoked. An AMC is prohibited from requiring an appraiser to perform an appraisal in a geographical area where the appraiser does not have the necessary market expertise. AMC's are also prohibited from requiring appraisals to be performed under unreasonable time frames. AMC's must have a system in place to review the work of all appraisers working for their company to make sure appraisals are being performed in compliance with the Uniform Standards of Profession Appraisal Practice. This new law will at least provide a framework to challenge poor quality appraisals.

While this one piece of legislation will not solve all of the problems created by the HVCC, it should begin to improve the appraisal process and quality in the near future.