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2010 Dates to remember...

This list is not all-inclusive as some organizations have yet to firm up dates and locations.
We hope to see you there!

- | | |
|---|--|
| <p>MAR 2010 - 16-21 ICBA National Convention & Techworld Con.
Gaylord Palms Resort & Convention Center, Orlando, FL
<i>* Kirchmeyer will be attending</i></p> | <p>SEPT 2010 -12-14 CBA Home Equity Lending Conference.
Hyatt Regency, Scottsdale, AZ
<i>* Kirchmeyer will be exhibiting</i></p> |
| <p>APR 2010 - 25-28 MBA Technology in Mortgage Banking
Hyatt Regency Chicago, Chicago, IL
<i>* Kirchmeyer will be attending</i></p> | <p>SEPT 2010 -19-21 REO Five Star Conference and Expo.
Sheraton Dallas, Dallas, TX
<i>* Kirchmeyer will be attending</i></p> |
| <p>APR 2010 - 25-28 MBA National Fraud Issues Conference
Hyatt Regency, Chicago, Chicago, IL
<i>* Kirchmeyer will be attending</i></p> | <p>OCT 2010 - 24-27 MBA's 97th Annual Convention and Expo
Georgia World Congress Center, Atlanta, GA
<i>* Kirchmeyer will be exhibiting</i></p> |
| <p>MAY 2010 - 17-19 PMC Predictive Methods Conference.
The Ritz Carlton Laguna Niguel, Dana Point, CA
<i>* Kirchmeyer will be attending, Jim Kirchmeyer speaking</i></p> | <p>NOV 2010 - 8-10 Valuation 2010
Luxor Hotel and Resort, Las Vegas, NV
<i>* Kirchmeyer will be exhibiting</i></p> |
| <p>MAY 2010 - 23-26 MBA National Secondary Market Con.
Hilton New York, New York, NY
<i>* Kirchmeyer will be attending</i></p> | |

We thank you for your business!



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MARCH 2010

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ISSUE #138

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Publisher... Jim Kirchmeyer • Research... Tom Kirchmeyer, SRA • Editor... Janice Gregor

New AMC Laws Hurt Consumer

By Thomas Kirchmeyer, SRA

The HVCC has changed the appraisal industry, for the good and bad – depending on who you ask. Appraiser independence was a serious issue for years, and was part of the reason why the housing market collapsed. It has been mostly addressed, even though today there still exists some pressure sneaking in through the back door. Many lenders decided it was in their best interest to outsource their appraisal management to Appraisal Management Companies (AMCs) in order to fully comply with the new regulations that require a firewall between the loan originators and the appraisers.

The small appraisal shops complained that post-HVCC, they lost all their work to large AMCs. Many appraisers stopped receiving orders directly from the lenders and mortgage brokers, and then they refused to do work for AMCs due to appraisal fee issues. Many AMCs charged the lender the typical local market fee and gave the appraiser a percentage of that fee amounting to less than they were making pre-HVCC.

OK, I'm getting to the point. Be patient.

The Appraisal Institute stepped in and took a stance against AMCs stating that AMCs should be regulated. I get that. It makes sense. An AMC should have to

operate under a set of regulations so that appraiser independence stays intact and the appraisers get paid what they are worth, and everybody wins: the lender, the appraiser, the AMC, and the consumer.

Right? Wrong.

Somehow, somewhere, the system was screwed up again. Who's bright idea was it to have the states regulate the AMCs as they see fit? I learned in kindergarten that there are 50 states! Gee, let's let each state determine what's right and what's not, what is an AMC and what is not. Are you kidding me? Guess what? Now here's the kicker...

The fees that AMCs have to pay to be registered in each state, which total in the hundreds and thousands per state, will filter down to... yes, you guessed it... THE CONSUMER!

Really? Was that the goal of all these new regulations? I thought new laws were supposed to benefit the consumer.

Here is an example of just one state (I'll pick on UTAH) trying to regulate AMCs. The following steps had to be taken by KA in order to complete appraisals in that state:

1). Go to the UT website and try and figure out what we have to do to comply. Read Regulation H.B.152 and try to interpret what the intent is, besides for the state to make money.

2). Complete the application (\$350 every 2 years).

3). Get fingerprinted by local police department, like a criminal, so that UT can run background checks on the owners of the AMC. Not one time, but UT needs 2 original sets for a reason they can't even explain over the phone. (\$50).

4). Pay for the background check (\$70).

5). Attach a letter explaining how we use only licensed and certified appraisers (are there other kinds?), how we adhere to standards, and how we keep our

continued...

records. Seriously? I wouldn't be in business if I wasn't doing all that.

6). Submit proof that each of my assigners and reviewers have attended the USPAP update seminar, and only an appraiser can assign work in UT. So now I have to pay an appraiser to sit in my office and assign UT appraisals, when a very knowledgeable non-appraiser could do a better job of managing assignments at half the appraiser rate. Appraisals would still get assigned to the local appraiser with the best quality and communication scores. Do I really need an appraiser to do that?

7). Get a Certificate of Existence from the UT Division of Corporations (\$70). In order for me to do that I have to get a letter from the State of NY (where we are incorporated) that states that we are a company in good standing (\$75).

8). Get a Registered Agent, located in UT, so they can shuffle papers for me. I don't really know what they do other than take my money annually to do nothing or nothing that we couldn't do here. (\$300 per year, depending on who you talk to). I could write another article on what it took to get a Registered Agent but I don't have the energy, nor do I want to disparage something I know so little about.

Adding up all the costs to do business in UT, not including my Chief Appraiser's and my time, the total is \$915. For something I have been ethically and efficiently doing for years with \$0 due in fees. Multiply that times 50 (some states will have higher and some lower fees) = \$45,750. Thank you America! It's bad enough that I have to operate in NY State where they actually punish businesses by taxing them to death, now I have to deal with layers and layers of political garbage that will force me to raise my fees that the lender pays me, resulting in....you guessed it... the consumer ultimately paying more. Now who wins?

It's a simple fix...

AMCs should be federally regulated!

One set of rules, one set of fingerprints, one background check, one application, one annual fee! Why duplicate it 50 times? Last I checked we have The Appraisal Foundation And the Appraisal Subcommittee. What does HUD say about all this?

Is anyone listening?

Appraising the Valuation Process

By Brian C. Coester, CEO Coester Appraisal Group

Sure, you can't order an appraisal for most loans - but you can help clients prepare

There is no doubt that the Home Valuation Code of Conduct (HVCC) changed the way mortgage brokers have done business in the past few months. It is essential that as a broker, you understand what exactly has changed and what you can do to make the most of it for you, your customers and your business.

Simply put, there often is now a middleman involved in the appraisal process for loans backed by Fannie Mae and Freddie Mac — and, starting Feb. 15, for Federal Housing Administration (FHA) loans. These middlemen are either appraisal-management companies (AMCs) or lenders' in-house appraisal-management companies. They are tasked with ensuring that appraisals are done properly and that appraisers are not influenced to inflate property values or to omit any problems with the property in their report.

An AMC doesn't actually complete the appraisal; rather, it assigns an appraiser to complete the report in the local market area. The management company collects the payment, assigns the appraisal, and checks on, updates, reviews and delivers the final report to the lender.

Appraisers now just perform the appraisal — nothing much more or less. They check back with the management company for updates, inspection dates,

potential problems or delays.

Once the appraisal is completed, the appraiser submits it to the management company for review and for final submission to the lender's underwriting department. The management company, not the lender, communicates any necessary revisions or addendums back to the appraiser.

For brokers, the difference now is that you cannot order the appraisal or otherwise communicate with the appraiser when it comes to loans to be sold to Fannie Mae or Freddie Mac. You won't even know who the appraiser is.

If the management company is good, then it should have a list of local appraisers from which it can get the appraisal done quickly and accurately. The appraiser essentially will do the appraisal "as is," and the AMC will report any deficiencies with the property or market area to the lender.

The appraiser's goal is to obtain the most accurate value possible. The lender uses the appraisal as a tool when making a lending decision, and it wants to know what is good and bad about the property. As such, the appraiser will put everything in the report. Before the appraisal is ordered, advise the borrower that any repairs or property deficiencies should be addressed before the appraiser comes out.

There are a few things that you, as a broker, can do to help your clients get the most out of the appraisal experience and to help ensure success during the process, even if you are unable to order the appraisal yourself:

- 1). **Understand that no estimate of value will be given to the appraiser.** It may be a good idea to advise your client that this will be a "roll of the dice" as market values have declined in most areas and that you cannot get the value changed without ordering an appraisal review and submitting a formal appeal. Communicate this to borrowers when the appraisal is ordered to prepare them for any later frustrations.
- 2). **Understand who the appraisal is for.** It is not for you or for the borrower; rather, it is for the lender. Its purpose is to assist the lender in making its lending decision for the property. If the value comes in too low or if there

is something that should be added or removed from the report, this will need to come from the lender. Most management companies have processes for formal appeals and value reconsiderations. This is something about which you should speak with the lender. Simply asking for a reconsideration of value to make a deal work will not make anyone do anything.

- 3). **Advise the borrower to be prepared to pay.** This is perhaps the most important thing when ordering an appraisal. Most companies will not accept a billed appraisal, and many will not assign an appraiser until payment is secured. This is because they will have to pay the appraiser if the borrower cancels or doesn't show up. Most companies have multiple payment options, including credit cards, telecheck and online-payment services, which cover most borrowers.

- 4). **Prepare the borrower for the appraiser's call and inspection.** Having the borrower available for the call and prepared for the inspection not only will speed up the process, but it also will assist the appraiser in delivering the best-possible product. Let the borrower know someone will be calling to schedule the appraisal and to have time available during the next few days. Appraisals have to be done during the day for visible exterior photos; most appraisers will not do appraisals after 6 p.m. Also, advise borrowers to have all relevant information about the house available. Having a list of recent improvements, a plat map, a floor plan and old appraisals will assist the appraiser in the inspection and ensure an accurate valuation.

- 5). **Manage your expectations and don't assume anything.** Most AMCs are doing the best they can to get the appraisals done as quickly as possible. Managing appraisers in several counties and coordinating thousands of orders is as complicated as it sounds. Working with the appraisal company instead of against it will ensure a smoother process. The more upfront work you do with your borrower, the smoother and faster the transaction likely will be

- 6). **Communicate any potential property complexities upfront.** If the property is on 100 acres and is 7,000 square feet, this should be communicated to the AMC. Two reasons: First, the appraisal fee must be quoted. Second, the appraisal's complexity might be beyond the training of the appraiser originally assigned to complete the report. Reassigning the report to another appraiser and having the new appraiser restart the whole process can delay the process significantly.

Being proactive and honest is the best way of doing business. Helping your client be prepared for an appraisal process and working with the appraisal company as much as possible will promote a smooth transaction and a win-win relationship.

BILL OF RIGHTS

Although brokers can no longer order property appraisals or communicate directly with appraisers when it comes to loans to be sold to Fannie Mae and Freddie Mac (as of press time) - and starting Feb. 15, for Federal Housing Administration loans -you do not have to be shut out of the appraisal process completely.

You have the right to...

- request professional service from the appraisal company and the appraiser.
- to address the lender regarding the service and timeliness of the appraisal.
- get an accurate appraisal that reflects the property's market value and overall market conditions.
- receive a copy of the appraisal report.

Employee Spotlight



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After graduating from ECC, Lee enlisted in the Navy and served aboard 2 Nuclear submarines and a guided missile cruiser. Following his discharge from the military, his career path included field service engineer, adult education instructor, computer consultant, and web application developer. He started with Kirchmeyer & Associates in February 2009 and is currently working in the I.T. Department.

Lee likes playing golf, bowling and watching the Sabres. He also enjoys time with his family and friends.