



What the Mortgage Market Reads



# INSIDE MORTGAGE FINANCE®

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## Real Estate Agents Frustrated with Appraisal Costs, Practices of Appraisal Management Companies

The costs for appraisals for home purchases have increased in recent years, according to some real estate agents responding to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*, with blame being placed on appraisal management companies.

“Many agents report that appraisal costs have risen and AMCs’ overhead may be responsible,” said Tom Popik, research director of Campbell Surveys.

While lenders aren’t required to use AMCs, many lenders use the companies to meet appraisal independence standards. The National Association of Realtors noted that AMCs have existed since the 1960s but didn’t gain prominence until 2009 when New York Attorney General Andrew Cuomo, the government-sponsored enterprises and others started to focus on appraiser independence.

Lenders task AMCs with ordering appraisals, which are often done by independent contractors.

Appraisal costs reported by real estate agents in the *HousingPulse* survey varied widely, ranging from \$450 to \$800. A number of agents said appraisal costs continue to increase, and some suggested that the cost increases were concentrated around the AMC boom while others said the cost for appraisals hasn’t increased in recent years.

An agent in California said the increased involvement of AMCs has more than doubled appraisal costs, increased the time it takes to complete an appraisal and prompted an “extreme drop” in the level of service and appraisal competency. The agent said lenders often require a “desk review” of the appraisal which adds another fee for the borrower.

“Agents suggest that AMCs add another layer of management and reduce accountability,” Popik said. “Although ‘accountability’ from the agent perspective could mean whether the appraised value is at or above the contract price,” he added.

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Another agent in California said that it can be challenging to get a direct question answered by an AMC in a timely manner. “They provide robotic responses that seem concerned, but ultimately ignore urgent timelines when information is needed,” the agent said.

Appraisals have accounted for an increased share in the factors that delay a mortgage closing, according to *HousingPulse*. For sales that closed in March 2014, appraisals accounted for 7.3 percent of mortgage-related delays to closing. In March 2015, appraisal issues accounted for 11.0 percent of mortgage-related delays to closing.

“AMCs reduce service level to the buyer because there are no checks and balances to keep the report returns timely and to ensure accurate data is used,” said a real estate agent in Texas. “The buyers are literally at the mercy of the appraiser with no power to get issues reviewed or to ensure good, timely service.”

Many agents also expressed frustration that AMCs hire out-of-area appraisers to complete appraisals. “AMCs hire appraisers who may be more objective but have less expertise in a local area,” Popik said. ♦