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The Appraisal Institute warns appraisers about liabilities when working with some AMCs

June 02, 2011 - Northern New England

The Appraisal Institute cautioned real estate appraisers about signing agreements imposed by some appraisal management companies that seek to hold residential appraisers responsible for AMCs' actions. Its president warned that consumers could be the ultimate losers.

"Appraisers should be very careful about signing any agreement, especially one that makes them responsible for another party's actions," said Appraisal Institute president Joseph Magdziaz, MAI, SRA. "While there are some fine AMCs doing business today, many AMCs shift liability onto appraisers. For many professional appraisers, it's simply not worth the risk."

Magdziaz, as president of the nation's largest professional organization of real estate appraisers, noted that the most qualified, most competent appraisers often refuse to sign such indemnification agreements. "That means that consumers ultimately suffer, because the valuation of their property isn't likely to be conducted by an appraiser with the most training, education and experience," he said. "And without a reliable, credible opinion of value, everyone involved in a home sale suffers."

While lenders can manage appraisal operations with internal staff, some choose to outsource these functions to third-party management companies called AMCs. These firms act as "middlemen" between lenders and appraisers.

"To get an idea of how potentially dangerous this situation is for appraisers, one need only look to the FDIC's recent action," Magdziaz said in reference to the Federal Deposit Insurance Corp. complaint filed May 9 against Lender Processing Services and CoreLogic that seeks to recover roughly \$283 million in losses allegedly tied to appraisals. "Regardless of the merit of the FDIC's charges, it's clear that appraisers who sign indemnification agreements expose themselves to unnecessary liability that can ruin their careers and destroy their businesses."

Magdziaz also noted the potential effect on consumers, who often have to rely on valuation services from some of the least qualified and least competent appraisers hired by some AMCs. He warned that such agreements drive professional appraisers further from consumer mortgage lending valuation services.

"The Appraisal Institute's best advice for consumers is to ensure their lender hires a qualified, competent appraiser, such as a Designated member of the Appraisal Institute," Magdziaz said. "For appraisers, the Appraisal Institute advises that they know and understand any agreement they sign and that they not sign any agreement they feel is unreasonable or not in their best interests. For most AMCs, providing a certificate of insurance may be a good alternative to signing an indemnification agreement."

Consumers can locate a real estate appraiser in their area by clicking on the "Find an Appraiser" link at <http://www.appraisalinstitute.org>.