



**AllstateAppraisal**  
*National Valuation and Review Services*

**Fast Facts: AMC Vendor Management at a Glance**  
"The Age of Compliance"

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# Executive Summary

The days of laid-back governance over third-party vendors are gone. The Consumer Financial Protection Bureau (CFPB) will no longer be turning a blind eye to the interaction between Lenders and their third-party providers. When AMCs fail to meet the regulatory requirements, Lending Institution utilizing their services will be left “holding the proverbial bag” and will be held accountable for those oversights, typically ending in penalties and fines. Proper due diligence, audits, and governance is a must to maintain compliance with all third-party relationships.

“The CFPB is serious, are you ready for an audit?  
What you don’t know about your AMC can hurt you!”

## Biography



Scott Sparks is the SVP National Chief Appraiser for Allstate Appraisal. Prior to joining Allstate, Scott served as the National Residential Chief Appraiser for one of the nation's top 12 lending institutions. Scott was well-recognized for his unwavering commitment to appraisal quality, and today he continues that tradition by overseeing Allstate’s highly respected Quality Control (QC) divisions. In his role, Scott helps ensure the QC divisions qualitative advantages continue to set the industry bar by consistently reflecting strict compliance with all applicable regulatory standards.

# Don't Just Trust Your AMC; Verify!

The hurdles that lenders must take to ensure that their AMC vendors maintain compliance is not an easy task, but one that is necessary, as there are no shortcuts when it comes to compliance. Lenders must peel back the layers when performing their due diligence and audits to make sure that all requirements are being met, don't just trust your AMC; verify.

## Beware Of Any AMC That Does Not Have ....

- Quality Operations Management
- Auditable Vendor Management
- Dedicated Account Representatives
- Auditable Quality Control, and Chief Appraiser Guidance
- Full-Time Compliance Team and Access to Legal Guidance
- Documented History of Performance
- Financial Stability
- Diverse Client-Base
- True Business Continuity Plan

# New AMC Partnerships

## Due Diligence

Before Master Service Agreements (MSAs) and Service Level Agreements (SLAs) are signed, due diligence must occur. Now, it is no longer enough to know that an AMC has policies in place. Lenders are responsible for ensuring that the AMC has the resources and expertise for carrying out and complying with all regulatory requirements and that their internal Standard Operating Procedures (SOPs) conform to those guidelines and are being followed, furthermore the AMC must be able to prove it. This is in addition to the other standard collection of required documentation including AMC state license numbers and expiration dates, appraiser selection processes, certificate of insurance (liability coverage's including Errors and Omissions coverage), and sample copies of appraisal reports.

## Written Contracts

Once an AMC surpasses the due diligence phase, the lender should have a written contract that clearly defines the expectations and the obligations of both their financial institution and the third-party. With these contracts written documentation of appropriate and enforceable consequences for violating any compliance-related responsibilities engaging in unfair, deceptive, or abusive acts or practices should be included. It's imperative that the contracts cover:

Turn-times

Appraisal quality

Reassignments

Compliance requirements

Customary and reasonable fees

Responsibilities and expectations

# AMC Appraiser Panel Selection

Just like the due diligence that Lenders must perform when selecting third-party vendors, AMCs must also undergo their own due diligence when onboarding new appraisers to their vendor panel, ultimately the person(s) doing your appraisals. Again, this is another area where you must not turn a blind eye. Ensuring that the AMCs process for selecting capable and compliant appraisers meets all regulatory standards is a must – **you are ultimately responsible for any infractions that occur.**

## The Application Process

Your AMC should request the following from the prospective appraiser: license and or certification for the state that he or she will be appraising properties in, experience history, areas of geographic competency, property types that the appraiser is competent to complete, and disclosing any prior disciplinary infractions by a State board or any Error and Omissions (E&O) Insurance claims.

## Insurance Requirements

The AMC and the Appraisers on their approved appraiser panel should have the amount of E&O insurance to meet the minimum requirements of your institution. The AMC should have copies of each appraiser's current certificate of insurance readily available. Additionally the Lender should request copies of the AMCs certificate of insurance for liability and E&O insurance and verify that the policies are active.

# AMC Relationships

Once formal relationships are established with the AMC, you cannot afford to allow your governance over the vendor to fall by the wayside – this after all is why the regulators shifted their attention to this arena. As Darrien Behart, the Deputy Comptroller for Credit and Market Risk for the OCC stated, “The appraisal and evaluation areas probably didn’t get as much attention, which may be one of the reasons, in a number of institutions, we found weak governance of these programs”.

How do you determine if your appraisal providers meet compliance standards?

## Ongoing Monitoring

Ensuring proper governance of your AMCs ongoing monitoring should become a part of your regular procedures and not something done as an exception. Score-carding, scheduling service level partnership meetings, and updating contracts to reflect any regulatory changes are actions to be taken to maintain a clear understanding of your AMCs competencies and to allow you to mitigate any regulatory infractions.

## Onsite-Audits

Bi-annual or yearly on-site audits are not only necessary but a regulatory requirement. Utilize this time to ensure your AMC is doing what is required of them – as you will be accountable when audited by the regulators.

First, the files that your institution selects to be audited should only be requested at the time of the audit, not beforehand thus eliminating potential file tampering. Secondly, when determining the amount of files to audit the order volume sent to the AMC should be taken into consideration.

#### Questionable items to address during each file audit:

- What was the fee charged to the client?
- Was a reasonable and customary fee paid to the appraiser?
- Timeliness of payment to the appraiser – Are state guidelines being met? (Dodd-Frank requires that an AMC must remit payment to fee appraisers within the time allotments set forth by each state typically ranging from thirty to sixty days.)
- Appraiser selection process – How was the most qualified appraiser chosen for the assignment? (I.e. qualifications, appraiser's score, capacity, and or proximity to the subject property.)
- Can you confirm that the appraiser was licensed at the time of the appraisal?
- What is your Quality Control process? – (A checklist is not enough; comments should be provided showing what was reviewed and questioned)

#### Additional discussion points may include:

- Documentation of state specific AMC requirements – What are you doing to keep in compliance with all the regulatory changes?
- Discuss positive or negative feedback since prior audit
- Provide a brief description of any audit findings that may have been found during current audit



# Conclusion

The regulators are coming, are you ready? Improving the governance over your AMC vendor relationships are a must. You are only as compliant as your weakest AMC; don't let their lack of discipline be your downfall. Establishing and utilizing an effective risk management process when working with third-party vendors will allow you to align yourself with compliant partners and be prepared for future audits.

Partner with Allstate; gain peace of mind by knowing our compliance team includes the former National Chief Appraiser of a top 15 lending institution who is well versed in third-party AMC management and who knows and understands the demands placed on lenders.

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Contact Allstate today to discuss a compliant partnership with us. Call 866.799.9009 Ext. 1023 or email us at [sales@allstateappraisal.net](mailto:sales@allstateappraisal.net)

*All data and information provided in this document is for informational purposes only. Please consult your own compliance department or legal counsel for questions regarding the topics within this white paper.*

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