Background checks - Yes, No, and Why?

Many AMCs are now running background checks on the appraisers they use at the request of their lender clients. This requirement started a few months ago. Some appraisers don’t want to have AMCs run on background checks on them because of privacy issues. They do not apply to the AMC or they quit working for an AMC with this requirement.

Some state appraisal regulators, such as California, have been running them on all applicants for appraisal licenses since licensing began.

A few state regulators have started running them on all their licensees - applicants and current licensees (at renewal).

As of 1/1/2015, per the Appraisal Qualification Board’s new licensing and certification requirements, all state appraisal regulators will be required to run background checks on all applications for new licensees. They are also "encouraged" to run them on existing licensees.

What is a background check?
The term "Background check" is not well defined.

Background checks are typically run for employment applicants, not independent contractors. But some types of licensing agencies require them, such as appraisers, physicians, etc. Truck drivers typically have driver’s license records checked, whether they are employees or independent contractors.

Here are some:
• Criminal background check.
• Driver's license.
• Sex offenders
• County civil records

Typically done for employees:
• Credit reports.
• Drug screening.
• Credit report.
• Employment verification.
• Workers compensation.
• Education verification.

Criminal background checks
There are three ways to identify the individual when doing a background check:
• Name-based check: A name-based check uses a person’s name and Social Security number to match any possible criminal records.
• Fingerprint-based check: A fingerprint-based check uses fingerprints taken from an individual to identify that individual and to match any possible criminal records.
• Other biometric-based checks: These methods will increase in the future and include methods such as retinal scans and DNA extraction.

The FBI database requires a fingerprint. I doubt if AMCs are using the FBI database.

There are several different kinds of criminal background checks available today, each with its strengths and weaknesses. There is no single criminal database in this country that includes every criminal record, so there is no one "perfect" background check.

Some criminal databases include felony arrests that were not finalized and remain "open".

Why does the new AQB licensing requirements? AQB includes background checks for appraisers?

Comment in the rationale section of 5th Exposure Draft was: "necessary to preserve the public trust in the appraisal profession that allows appraisers the continued access to..."
Why do lender/AMCs want background checks?
AMCs do what their lender clients require. They don't "make up" requirements.
I assume it is because of the reasons stated by the AQB. The new requirements don't start until 1/1/15, so the lenders are asking the AMCs to get background checks on their fee appraisers now and don't want to wait two more years. Also, the states are not required to do background checks on existing licensees.
Not all states did them at licensing. Also, it may have been many years since it was done.
I don't know why they were not done before by AMCs. Maybe one lender started doing it, then others followed, the "sheep" effect.

What does the AQB say in its final requirements, effective 1/1/15?
In the early drafts of the new AQB requirements, "criminal background check" was used, but it was changed to "background check", so the approved requirements include civil issues, such as "financial services-related".
This is a direct quote from the final document:
VI. Background Checks
A. All candidates for a real property appraiser credential must undergo background screening. State appraiser regulatory agencies shall, at a minimum, obtain fingerprints of the individual, in digital form, if practicable, and any appropriate identifying information for submission to the Federal Bureau of Investigation and/or any governmental agency or entity authorized to receive such information in connection with a State and national background check.
B. In addition to all applicants for new credentials, state appraiser regulatory agencies are strongly encouraged to perform background checks on existing credential holders as well.
C. State appraiser regulatory agencies must ensure that all candidates for a real property appraiser credential do not possess a background that could call into question public trust. State appraiser regulatory agencies must take proper steps to ensure those applicants found to possess a background which calls into question the applicant's ability to maintain public trust are not issued a real property appraiser credential.
State appraiser regulatory agencies shall not issue a real property appraiser credential if:
1. The applicant has had an appraiser license or certification revoked in any governmental jurisdiction within the five (5) year period immediately preceding the date of application.
2. The applicant has had a financial services-related regulation, order or similar program in connection with the prosecution for such offense(s); 2. Civil judicial actions against the individual in connection with financial services-related activities, dismissals with settlements, or judicial findings that the individual violated financial services-related statutes or regulations, except for actions dismissed without a settlement agreement;
3. Actions or orders by a State or Federal regulatory agency or foreign financial regulatory authority that:
a. Found the individual to have made a false statement or omission or been dishonest, unfair or unethical; to have been involved in a violation of a financial services-related regulation or statute; or to have been a cause of a financial services-related business having its authorization to do busi-
ness denied, suspended, revoked, or restricted;
b. Are entered against the individual in connection with a financial services-related activity;
c. Denied, suspended, or revoked the individual's registration or license to engage in a financial services-related activity; disciplined the individual or otherwise by order prevented the individual from associating with a financial services-related business or restricted the individual activities; or
d. Barred the individual from association with an entity or its officers regulated by the agency or authority or from engaging in a financial services-related business;
4. Final orders issued by a State or Federal regulatory agency or foreign financial regulatory authority based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct;
5. Revocation or suspension of the individual's authorization to act as an attorney, accountant, or State or Federal contractor; and
6. Customer-initiated financial services-related arbitration or civil action against the individual that required action, including settlements, or which resulted in a judgment.

What if you don't want to have background checks done on you?
I read through all the AQB drafts, and saw only a few letters from appraisers protesting background checks by state regulators.

Don't work for any AMCs that require background checks.

Maybe your state will not do them on currently licensed and certified appraisers.

What type of background check is run on appraisers by AMCs?
Typically it is a criminal background check.

State regulators typically use fingerprints and get FBI records. I don't think AMCs get fingerprints, particularly on appraisers currently on their fee panels, so their background checks are more limited.

Here is the list from an actual background check report done for an AMC:
• Enhanced National Criminal
• Sex Offender Registry Check
• Global Terrorist Watchlist Search
• Federal Procurement Exclusion (GSA) Informational
• County Criminal Record
• Federal Record Check

The report included the jurisdictions, "alias" names, and current and previous addresses. One additional "informational" check was done. I assume this was for previous addresses, etc.

I assume all the others are criminal record checks.

Who can run background checks?
Anyone can. Most of the information is on public records. You can purchase many types on the Internet. There are lots of reasons someone would do a background check, such as before using a construction contractor or almost any reason you want to find out more about someone I recently saw a TV ad about a company that provides background checks to the public, such as your daughter's new boyfriend who looks like a loser.

Who pays for AMC appraiser background checks and what do they cost?
Most are run for prospective employees and the employer pays. Some AMCs pay for them and others require that the appraisers pay.

Criminal background checks typically cost around $39 to $79.

If you pay for one, why can't you just send it to another AMC?
I don't know, but I suspect they want to use their own service. I don't know if there is a "standard" report.

Most lenders run them on their employees and probably already have a company they use.

What other professions/trades require background checks on new applicants and existing licensees
Many require background checks on new license applicants. I couldn't find much information on this, so I assume few are run on current license holders, unless they are applying for employment.

Does any company except AMCs want background checks on independent appraisers?
I have never heard of any.

What about credit checks?
I don't know if AMCs or state appraisal regulators run credit checks.

As far as I have been able to determine, you must obtain written permission to do a credit check on someone due to consumer privacy laws. I have been a landlord for many years and am required to obtain permission in writing, done as part of the tenant application process.

Today, because so many people have had foreclosures and other types of financial problems, credit reports are less useful. As a landlord, I put much less weight on them than I used to. Most other landlords do the same.

It does not seem reasonable for AMCs to use them for appraisers as appraisers make few, if any, payments to the AMCs. AMCs pay them.

I have never heard of an AMC or state regulator running a credit report. If you are worried, don't agree to it.

Where to get more information
Check with your state regulator and see what they require. Goole background check and you will find lots and lots of information, mostly related to screening job applicants.
Want to do lender appraisals with full fees and no UADs?

Private money lending is increasing.
Full fees, no UAD or 1004MC required. No stips, endless phone calls and long lists of requirements
Many appraisers don't want to do non-lender work such as divorces. It is hard to get started and you may have to testify in court. There is another lender option - hard money lenders.
What do you do if you need a loan, but can't qualify because you're self employed, low FICO, etc.? That applies to a lot of people.
Private money lenders are the lenders who can close deals in a few days and count on the real estate equity as collateral. They have always been around, mostly for short term financing and borrowers with poor credit or no credit history. On the minus side, for borrowers, rates and fees are high.
Because of the recent credit squeeze, more high income borrowers are using hard money lenders for temporary loans until the credit market eases up, particularly for self employed persons.
Many appraisers don't want to work for them as the appraisers see them as "sleazy." But during the recent subprime fiasco, there were many, many conventional lenders who made sleazy deals through mortgage brokers. Compared with them, hard money lenders are often much better.

Who are "hard money" lenders?
They typically match investors with loans, sometimes investing their own money.
Hard money lenders may serve a regional market, or may offer loans nationwide. Some hard money lenders are represented by brokers who may take a percentage of the loan (points) in exchange for preparing and submitting the loan documentation (as well as finding a direct lender). Other hard money lenders deal directly with applicants.

This business is very fragmented, from local companies with no advertising to large companies operating in multiple states.
I know of two local appraisers who are doing very well in their private investor lending businesses. They know the value and marketability of the collateral, which is very important.

Individuals and small groups of investors don't advertise. Small firms typically get their money from investors wanting to get a good return on their money and pool that money.
Larger firms rely on bank loans.

Where did the term "hard money" come from?
"It is difficult to find an answer to this question. I've heard plenty of speculation. Some people say that it's because the money is used for "hard to do" loans. Others say it is because the loans are "hard to get" or "hard to pay." It is my belief that it is called hard money because traditionally it has been "real money" in the sense that it is not borrowed. Institutions loan borrowed money, and in this sense they loan "soft money."
However, I must point out that things have changed a bit over the years, and these days a good deal of hard money is in fact borrowed. (I would guess as much as 50%)."
Source: Fairfield Financial Services web site.

What types of properties need appraisals?
In today's market more hard money refinance loans are being made on homes because of the difficulty in obtaining conventional loans.
Many hard money loans are made for short term financing on commercial and apartment properties, when conventional lenders take too long to fund.

Land is another popular type, as conventional financing can be difficult to obtain.
Residential property loans are often made for bridge loans, construction, and remodeling.
Many homes that don't "fit" conventional lending, such as rural, large amounts of land, unusual construction, lack of some utilities, etc. need to get private financing.

What are the regulations for hard money loans?
Recent changes significantly increase the requirements for hard money lenders. The Secure and Fair Enforcement for Mortgage Licensing Act of 2008, otherwise known as the S.A.F.E. Act, mandates minimum standards, in part, for licensing and registration as a state-licensed loan originator. Dodd-Frank also affected them.

TILA disclosure requirements have increased. Setting up a compliant loan file is very difficult and confusing. Some hard money lenders may go to AMCs to be sure they have separation between the originator and the appraiser, if appraisals are done. The effect on licensed appraisers is uncertain, but small lenders may make fewer loans, or may quit the business.

A friend of mine has been making hard money loans for many years. He does not do a high volume. He is a former appraiser (over 20 years experience) and is very savvy. He is finding that it is very hard to comply with the new regulations, even when he understands them. He pays an underwriter to do it for him at about $800 per loan, a new expense as he always did this himself.
If a hard money lender wants to use an AMC for ordering, you may be able to find a local AMC that only assigns appraisals to appraisers for a nominal fee.

**Who gets private mortgages?**
The most common borrower for a private mortgage/hard money loan is an individual who has one of three issues that requires them to obtain this type of loan.

The issues are usually because of credit, income, or property type/condition.
- Have tried to refinance, but have been turned down because of credit or income.
- Need a mortgage loan immediately and are willing to pay more to have it close quickly.
- Trying to finish a construction loan.
- Financing land, commercial property, hotels, motels, investment property.

The loans are typically for a short period of time, such as 6 to 24 months, until the issues can be resolved.

**What about appraisal requirements?**
No 1004 MCs, no UADs are required. No Fannie Mae requirements.

Many loans are done without appraisals as the investors are considered to be knowledgeable and the lender knows local property values. However, sometimes investors require independent appraisals.

Be sure to ask if there are any special requirements. They don't sell to Freddie or Fannie, and may want you to use their requirements.

You can use whatever report format you want. Fannie Mae forms are okay.

Turnaround times are typically quick as they are short term loans with quick closes.

They prefer conservative appraisals, not high appraisals.

**Scope of work - very different from conventional lending**
Appraisals for hard money lenders are very different than conventional appraisals. You really need to know how to appraise accurately and be very good at market analysis.

Hard money lenders want to know what the property is worth. Their primary focus is on the current market. Just putting three comps on a page is not acceptable.

You need to know the market the same way a local real estate agent does. What's pending, what's active, how easy will it be to sell the home, etc.

Remember, a high percent of the loans go into foreclosure. You are risking private individuals' money.

**What are appraisers' liability risks?**
Be very, very careful to disclose and not overvalue. Hard money lenders rely on the borrower's collateral, not credit. Typically a minimum of 30% equity is required.

They are lending individual investor money, not pooling loans and selling them to Wall Street.

Think of them as loans your mother is making. You don't want her to lose her money.

You want to be sure the investors know exactly what kind of collateral they are lending on.

Delinquency and foreclosures tend to be much higher than conventional loans, as borrower credit is weak, so the value of the collateral is very important.

**What about lender pressure?**
Your risks for lawsuits are much higher from individual investors. See above.

If you have a lender who pressures you to not disclose defects or overvalue, don't take any more orders from that lender.

To keep their clients, hard money lenders need to be sure their clients invest in properties that are accurately valued and described in the appraisals.

**Where to find contact information for hard money lenders**
First do a google search for private mortgage financing or lenders and hard money financing or lenders.

Search for online directories using private mortgage financing directory and hard money directory. The Scotsman Guide (www.scotsmanguide.com) has many hard money lenders listed, particularly those working in wider geographic areas.

Local hard money lenders can be difficult to find. Most operate only within limited geographic areas because they like to see the properties they're lending against personally and know the area around them.

The best way is to contact local mortgage brokers (or former brokers now working for lenders as loan officers) and ask about the local hard money lenders. I called the broker who I used to regularly use and she gave me contact information for the hard money lender she provides to borrowers with significant credit problems.

For local companies, google and look in your local Yellow Page ads or newspaper mortgage listings. Many newspapers have listings that read something like this: "Can't get a loan? Call Us. Private Money Available."

Hard money lending is a very small world. If you're a good, conservative appraiser who provides good service, your name will be passed around.
Why do lender/AMC requirements keep increasing?

It is part of the inevitable backlash from a real estate lender crisis. FIRREA, in 1989, caused increasing regulation of lenders, including appraisal licensing.

FIRREA was a result of bad commercial loans made by Savings and Loans, when regulations were relaxed allowing them to make riskier loans, particularly development loans. Some of the S&Ls went out of business and were taken over by the federal government. Residential lending was not much affected.

For appraisers, the result was more emphasis on appraiser independence - separation of loan officers from appraisers and appraiser licensing. Also, USPAP added three types of reports and three types of appraisals.

The recent crisis affected residential lending, not commercial. Around 80% of loan originations were done by mortgage brokers, who were only regulated in a few states.

Most of the loans were made by mortgage bankers, who were not federally regulated. There were no auditors going into their appraisal departments checking out appraiser independence.

The loans were sold to Fannie, Freddie, and other intermediaries, who packaged them and sold them to investors, such as foreign entities, other banks such as Chase, and Wall Street investors.

Why do appraisal requirements keep increasing?

Fear of loan buy-backs is the most frequently given explanation. Of course, it is too late for many loans. The inevitable backlash. Similar to closing the barn door after the horse has escaped.

Today, lenders are very worried about investors requiring loan buy-backs. I keep hearing about minor appraisal errors, such as typos, resulting in buy backs. Of course, many of the loan documents, including appraisals, have been lost.

For example, lender A made a loan on a home in 2006 for $300,000. The loan went into foreclosure in 2009. The investor requires that the lender pay them back the loan amount (buy-back) plus other costs. The home has declined in value by 30% to $210,000. The investor wants to do whatever they can do get back their lost money.

Lenders want to avoid future buy-backs so they look at ways to make the appraisals more acceptable to the secondary market and investors.

Is this realistic? I don't know, but lenders are worried so they tell their agents, AMCs, to increase appraisal requirements. There were much more significant changes in 1989, such as appraiser licensing, that will not be reversed.

What about the future?

The inevitable loosening of loan requirements, as investors want to buy more mortgage-backed securities. Armies of lawyers employed by investors, including Wall Street, will find legal and regulatory loopholes and the cycle will start again, using different criteria.

Why are there the same requests from so many AMCs?

Almost all AMCs work for more than one lender. If one of their lenders asks for a background check, it is easier to get them for all the appraisers on their panels.

What's coming in the future?

More requirements, then leveling off, then fewer requirements as the mortgage market inevitably goes into another cycle of over-regulation and under-regulation. When will it change? No one knows.
There are an estimated over 400 AMCs. They vary widely on how many appraisals they do, who they work for, their method of determining appraisal fees, etc.

Because they vary so much, I have started doing profiles of different AMCs. This is the first profile. I am trying to find out what criteria appraisers can use for deciding whether or not to work for an AMC. You can research AMCs and find answers to the questions.

Axis Appraisal Management Solutions is a mid-range (by number of appraisals), national AMC. I chose them because they are local, in the San Francisco Bay Area, so I could visit their offices and meet them face to face. I had been hearing about them for awhile from local appraisers and a few of their clients. All the appraisers I spoke with liked working for them.

I wanted to meet the owners in person, as a company's founders have a significant impact on the direction of the company and the "company culture", especially when the company is new.

There is a big difference between companies that focus on making as much money as possible, and companies trying to help people and/or not focusing on money. AMCs that only look at the bottom line are not the best for appraisers. AMCs that focus on appraisers may make less money, but are helping solve a problem - how appraisers and lenders can work together successfully.

Axis does not compete on fees. Their fees are higher than other AMCs. They look for lenders who want the best appraisers, and want an AMC that is willing to spend the time to resolve appraisal issues.

Types of AMCs by number of appraisals
Looking at all the AMCs, they vary from relatively few per month to tens of thousand per month. Some work for only one lender, and only do appraisal ordering. Others work for many lenders and offer national coverage.

In general, they are classified into three categories, by number of appraisals:
1. The Big Boys, handling tens of thousands of appraisals a month, including Rels, Streetlinks, LSI, Service Link, PCV Murcor
2. Mid size, national companies, such as Axis.
3. The small regional or local AMCs.

Axis does 10,000 to 12,000 appraisals a month, and would be classified as a mid-size AMC. The large AMCs often do hundreds of thousands appraisals a month.

AMC sub-contracting - "cascading"
Many of the large AMCs subcontract their overflow to mid-size AMCs. That is one of the reasons that appraiser fees are low. I call it "cascading". Big AMC A subcontracts to Mid size AMC B, who then subcontracts to mid-size or small AMC C. Each one of these needs to make money.

Axis does not participate in sub-contracting.

Number of appraisals from each state varies
Mid-size AMCs vary by which states they work in, depending on which states their clients do their most loans.

If an AMC gets a new client, requiring appraisals from states where they do not have many appraisers on their panels, they must recruit appraisers.

When was Axis started?
The company was founded in February, 2009. HVCC started in May, 2009.

Who started Axis?
The company was founded by Michael Simmons and Kim Perotti. Neither are licensed appraisers, but have appraisal and mortgage backgrounds. Kim's appraisal company had done appraisals for Michael's company.

Michael Simmons - Founder and Senior Vice President of Business Development
Michael focuses on the sales side of the business. He is not a licensed appraiser, but comes from an appraiser family. His father was an appraiser. He held the "dumb end" of the tape starting when he was 8 years old. His father worked for PG&E (CA state utility company), appraised Guam and Juneau AK after an earthquake, and other large assignments as a fee appraiser. His uncle has an MAI designation. His mother ran a local real estate business and was the first woman commercial real estate broker in her area.

After doing real estate sales for awhile, he went into the mortgage lending business instead of appraisal. His last position was a Senior Loan
Officer with Real Estate Financial Services from 2000-2008, so he is familiar with the lender side and focuses on the sales and client contact side.

Simmons had always used good appraisers. For the borrowers it meant the best deal and for him it meant they be retained as long term customers.

**Kim Perotti - Founder and Senior Vice President (Operations)**

Kim focuses on the operation side of the business. She was the IT and Marketing Coordinator for Miller and Perotti, from 2000 until she founded Axis. She had previously worked there in the early 1990s, but left when the appraisal market crashed in 1994. Her company was a small, family owned appraisal company founded by her mother-in-law. Their offices are in San Rafael, CA, where Axis is located.

Previously she was a teacher and later an administrator at the Santa Rosa School District for 10 years. She focuses on the management side and sees the company as "a community of learners".

She has a masters degree in education, which is a primary reason for the company's approach to educating their appraisers on current issues, helping appraisers with their appraisal questions, and if there are serious problems, upgrading a panel appraiser's education to remain on their panel.

**Effect of founders on the business**

A "classic" combination for CPAs, and many other service businesses, is an "inside" (getting the work done) and an "outside" (sales/client contact) person. The two founders are similar to this, in their personalities and in what they focus on. Both sides are necessary for success and growing a business.

Axis continues the founders' family business background. One of their first employees was Michael Simmons's son, Matthew Simmons, the pipeline operations manager, who had recently graduated from college, plus his dog, who comes to work every day with him.

Here is their stated company philosophy: "We believe highly qualified local appraisers provide an invaluable service to property owners and lenders. Axis believes that our appraisers should be recognized, supported and compensated for that high level of expertise."

**Ron Simmons, SRA, Director of Valuation Services and Chief Appraiser**

No, he is not related to Michael Simmons! He joined Axis in August, 2011 and had previously worked in sales for Woodfin, a tech company that built Rel's software and built Fannie Mae's UAD/UCDP software. Most of the appraisal forms software companies, and many other companies, use Woodfin's software developed for Fannie Mae.

Like many of us, appraisal was not his first career. He started in developing computer applications in the late 1970s, and did sales for about 8 years. His expertise was communication between the tech people and the users. When he started his family, he wanted more time at home and quit his sales job which required lots of traveling.

In the late 1990s, he met an appraiser while helping a friend move scrap metal from a home, and went to work for him. The appraiser's wife worked for a local appraisal review company, so he was exposed to both sides - doing appraisals and being reviewed by someone else.

He became licensed in 2000 and built up his business to 6-7 appraisers. Later, he took a few years off for family reasons, and re-started his appraisal business in 2005.

Simmons also was a manager and member of Zone Data Systems. He has a B.S. in Organizational Behavior.

He met Mike Simmons in 2008 and every few months he would ask him to come to work for Axis.

Technology expertise is increasingly important for AMCs due to Fannie Mae's UCDP and integration with lenders' systems. Ron's experience and connections help Axis keep up with the changing technology.

**Janice Bezou, SRA, Director of Vendor Management and Lender Services**

Janice started appraising at Home Savings in 1991, where many California appraisers started. Over the years, she worked in various management positions with Washington Mutual, Wachovia, and other lenders. Janice started working for Axis in May, 2012. She has a BA in management and lives very close to Axis so she doesn't have a very long commute to work any more.

She contributes an extensive background in managing appraisals for major lenders. Her main responsibilities include vetting new panel appraisers and fixing "problem" appraisals.
**My visit to Axis headquarters**

I spent most of my time in an office, interviewing. But, I did walk through the offices several times and was given a tour.

Most of the non-appraiser employees were young and appeared to be under 35 years old. They were busy, but did not appear to be stressed out. Overall, it was quiet, with everyone looking at their computer screens.

Overall there was an upbeat, but business-like atmosphere. I have had young employees working for me in the summer when I ran my national conferences. I don't know why, but there was a lot more energy. I saw the same situation at Axis.

Of course, what I really liked was that every person had 3 monitors. I want that!! Some of them had desks that you could move up and down so you could stand or sit. A definite plus for us "old timers" with bad backs.

Their physical address said "third floor" but they did not occupy the whole floor. They have expanded their footprint. I suspect that "third floor" is their goal, and is a good address for marketing purposes.

**How many employees are at Axis?**

Currently, Axis has 97 employees. There are 15 QC-2 appraisers and another QC-1 group of 20-25 non-appraisers who have been trained to do administrative reviews. Currently, they do not use computer software for reviews. All the reviews are done by live people.

They have "setup" employees who screen the orders, making sure the orders are correct (borrower phone number, address, etc) Their account managers focus on the the pipeline, from ordering, communicating with appraisers, receiving the appraisals, and submitting appraisals after QC is done.

Axis' main offices are in San Rafael, CA, located in one of the highest priced housing markets in the country. The San Francisco Bay Area is an expensive place to live.

They have an office in Tempe, AZ, near Arizona State University, where 55 of their employees work. Many companies are outsourcing to India, but Axis chose to set up an office in Arizona, hiring mostly part time college students, to handle some of their administrative work. Labor costs are much lower in Arizona than in the San Francisco Bay Area. Most of the employees are younger than the headquarters employees as they are college students. There are also appraiser reviewers with 5-10 years of experience there.

Why Arizona State University?

One of their managers graduated from there. Also, they wanted a location within a 2 hour plane ride from the headquarters location.

Axis also employs staff appraisers in "selected markets".

**What ordering and managing software do they use?**

They use a la mode's Mercury Network, enhanced with special AMC software developed by a la mode. All their appraisers are required to use the Mercury Network. Axis pays the $10 fee for each appraisal.

**Is Axis trying to bring in trainees?**

They are working with Arizona State's real estate department to set up a pilot internship program. Staff appraisers will work with the interns.

**How would you describe your AMC?**

We emphasize being a "local" solution by focusing on a model of geographic competency. We do so through:

- A policy of assignment placement within a tight radius of subject, keeping our appraiser partners off the road & making money writing reports, all-the-while fostering our appraiser partners' expertise for nuances in their unique markets.
- Dedicating specific teams at Axis to work consistently with local vendor partners, from placement to report delivery to the lender – allowing a friendly rapport with our staff and a focus on consistent work with a defined set of lender/clients.
- We also dedicate significant resources to encourage an active rapport and ongoing service to our appraiser partners by encouraging calls to speak "live" to our staff, monthly newsletters and weekly tips, and sponsoring course offerings at a discount through the Appraisal Institute.
- Perhaps as important as anything listed above, we believe in maintaining and preserving fees for our appraisers. We work hard to operate on thinner margins than other AMC's, paying out higher portions of fees, working to not reduce fees in slower climates, and even covering Mercury fees for our partners.
How do you handle cash flow problems?
Many AMCs (and appraisal companies) can have cash flow problems. They have to pay the appraisers before they are paid.
They also can't easily downsize, if business slows down, or they lose a main client.
Most of their appraisals are pre-paid by the borrower's credit cards at the time of loan application. I recently refinanced my house through Quicken Loans, a large lender, and gave the loan officer my credit card for payment of the appraisal fee.
Some lenders pay on 30 or 60 day schedules. That can cause cash flow problems with AMCs.
Having about half their employees as part-time college students mean that downsizing, if necessary, is very easy. QC appraisers can easily become staff field appraisers.

What territories can appraisers work?
"Axis believes that each market is unique and only a highly qualified appraiser who truly knows and lives that market can provide a fully supported and accurate opinion of value within that market. Therefore, Axis limits each appraiser to narrowly defined territories that are determined through conversation with each appraiser regarding their specific qualifications for that market. It is a time intensive process, but fundamental to Axis' philosophy."

How many AMC's do you work for?
About 30 currently. Their engagement letters sent to appraisers are specific to each lender's requirements, rather than using long "generic" engagement letters that combine requirements of many AMCs. Their software is set up to easily do this.

When do you pay appraisers?
On the 5th day of the following month after the appraisal has been accepted by QC.

What are your appraiser levels
There are two levels: Panel appraisers and Affiliate appraisers
Panel Appraisers who consistently deliver quality appraisal products with responsive turn times are invited to become Affiliates. Affiliates receive slightly higher fees.
"It is AXIS' goal that all appraisers become Affiliates since each appraiser invited to join AXIS is highly qualified within their marketplace."

How do they determine appraisal fees?
On average, appraisers are compensated at an average of 79% of the appraisal fee. Their lowest appraisal fee is $300 for a 1004.
Their appraisal fees are not cost plus (set appraisal fee plus additional fees for services). They do not separate out a specific appraisal fee as fees vary widely around the country.
Their appraisal fees are based on what is standard in the marketplace. For example, fees in northern California are higher than in Southern California. Pre-HVCC, appraisal fees varied around the country, with the West Coast higher than the Midwest and East Coast. Some states, such as Montana and North Dakota have always been higher as there are fewer appraisers and they often drive long distances.

What is your appraisal volume?
For now, 10,000 to 12,000 appraisals per month.

How many appraisers are on your fee panel?
For now, around 4,200.

Annual appraiser networking party for fee appraisers in January, 2013
Axis has an annual open house and party for their fee appraisers.
As part of their focus on education, they offer reduced fee California State regulations class and a USPAP class taught by a top Appraisal Institute instructor.
Panel appraisers from all over the country attend.

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How do they keep appraisers on their panel and when do you remove them?
They focus in trying to help appraisers get better - education, reviews, etc.
Of course, some appraisers won't, or can't, change, so they are not used.

What about value pressures from clients?
They focus on marketing to clients who are looking for more credible appraisals. Simmons, one of the co-founders, comes from a mortgage banker background. They have mortgage banker/broker clients who use them to handle their appraisals.
One of the clients was at one my interviews briefly and said they use Axis because they want more credible appraisals, such as not using an appraiser traveling from another area who does not know the local market very well. It is also much easier to explain to borrowers why they don't get their loan.
How is turnaround calculated?
From the day the order is accepted. We count by business days, not calendar days, and allow extensions, such as borrower not available, etc.

How do you find appraisers for your panel?
We prefer to use referrals from other appraisers, real estate and mortgage professionals. In areas where we have few panel appraisers and no referral sources, we use state appraisal board lists of licensees and www.asc.gov to make initial contacts.
We have never advertised for appraisers.

How does an appraiser apply for your panel?
Axis very picky about who is on their panel. After two referrals are submitted on their web site, each applicant is interviewed over the phone to see if they will fit with what Axis requires from appraisers.
Go to www.axis-amc.com and click on appraisers. Information on QC, how to apply, and a page for referral sources to submit referrals.
Referrals must be submitted on the web site. The form says "Loan originator/underwriter" but referrals will be accepted from appraisers, real estate agents, and others familiar with the appraiser's work.

"Axis appraisers come to Axis by referral from lenders and industry leaders. Appraisers may start this process by requesting that two of their business contacts provide references to Axis about the caliber of their work. When Axis has received two referrals for an appraiser, an Axis representative then contacts the appraiser to discuss their experience, qualifications, and the Axis philosophy."

For more information, send an email to info@axis-amc.com.

What are your panel appraiser requirements?
After the initial interview, appraisers are asked for additional information.
Requirements include:
• Resume
• E&O (minimum $500,000 coverage)
• Minimum of 5 years experience, certified appraiser
• 2 work samples, reviewed by appraisers.
• Geographic competency
• 2 references from someone who knows the appraiser's work, such as clients (lender and non-lender), real estate agents, etc.
"Finally, a second interview with one of Axis' lead appraisers is extended to the appraiser to determine the appraiser's specific geographic expertise."
"Appraisers who successfully complete the screening process are added to the Axis Panel via their independent appraisal company and orders are placed with and payments are made to the appraiser's company."

Contact information
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www.axis-amc.com
Fees - What AMCs say vs. appraisers’ opinions

I am working on advising you about which AMCs are the best for you.

This month I analyzed the Texas AMC report, which is the only survey I know that asks AMCs to answer specific, fee related questions. It also includes appraisers’ fee opinions, which can differ substantially from what AMCs say.

Last month I wrote about appraisal fees - using the recent Texas appraiser and AMC survey plus a few other fee surveys. For information on fees, and more information on how the survey was done, see last month's newsletter.

See the profile in this newsletter of Axis AMC as an indication of what a medium size new AMC is like. I have put the Axis data that I have in the comments.

Limitations of the Texas report - commercial vs. residential, staff vs. fee

Unfortunately, the Texas report did separate out commercial from residential appraisers. Thus, the report said that 30% of the appraisers did not work for AMCs. The certified general population was also 30%. Some general appraisers also do residential appraisal.

In the comments (see below, near the end of the article) two of the questions, there were staff appraisers, fee split appraisers, and commercial appraisers who put No response/refused because the questions did not apply. I don't have any information on how many other questions did not apply to respondents who were not residential fee appraisers.

Fees - appraisers vs. AMCs

Appraiser - What is the reason you have received HIGHER fees? Please select all that apply.
I have more experience 66%
I have a specialization that allows me to charge a higher fee 40%
I refuse to work for less 72%
OTHER (please type your answer in the box) 32%
Refused 0%

The survey did not include any results for "other". Unfortunately, this question had a high percent of "other" responses.

Appraiser - What is the reason you have received LOWER fees? Please select all that.
I have less experience 4%
I am new to this area 0%
I accept lower fees to make sure I have work. 67%
OTHER (please type your answer in the box). 39%
Don't Know/Refused 7%

There were 32 comments for "other".

Sample responses:
• Yes, there are appraisers who work for lower fees because they say need the money. Prior to HVCC, I was on a couple of AMC rosters and only accepted work for less pay from them when my normal higher paying work was slow. After HVCC I was forced to try to

MBA Loan Volume Application Index – 1/11 to 12/12

Market Index
Base = 100 in 1990

[Graph showing MBA Loan Volume Application Index from 1/11 to 12/12]
Factors affecting the fees AMCs pay (per AMC survey)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Increase Fee</th>
<th>No Affect on Fee</th>
<th>Decrease Fee</th>
<th>Don't Know</th>
<th>Refused</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many appraisers in the area available to do the work</td>
<td>0%</td>
<td>73%</td>
<td>22%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Property in urban location</td>
<td>5%</td>
<td>78%</td>
<td>4%</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>Property in rural location</td>
<td>85%</td>
<td>9%</td>
<td>0%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Property in high cost-of-living area</td>
<td>33%</td>
<td>55%</td>
<td>0%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Property in low cost-of-living area</td>
<td>2%</td>
<td>82%</td>
<td>2%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Size of property is large</td>
<td>85%</td>
<td>7%</td>
<td>0%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Complexity of property (e.g., unique characteristics, lakefront or ocean-front, multiple buildings)</td>
<td>98%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Greater travel distance to complete appraisal</td>
<td>80%</td>
<td>15%</td>
<td>0%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Appraiser with greater experience</td>
<td>27%</td>
<td>64%</td>
<td>0%</td>
<td>7%</td>
<td>2%</td>
</tr>
</tbody>
</table>

These results are not surprising, except that if there are many appraisers in an area used to do the work - 73% said it would not affect the fees. That is a major factor in appraisal fees, so it does not seem reasonable. I live in northern California, with fewer appraisers than in Southern California. Same state, very different fees.

Maybe there are relatively few AMCs offering cheap fees.

Ask for higher fees for properties that have factors above that most AMCs will pay more.

AMCs - In the past 12 months have you seen appraisers turn down low fees?

- Yes 64%
- No 22%
- Refused to answer 5%
- Don't know 9%

AMC - Have you ever asked appraiser to accept a lower fee?

- In the past 12 months have you asked an appraiser to accept a lower fee than quoted by the appraiser?
  - Yes 25%
  - No 64%
  - Refused to answer 4%
  - Don't know 7%
AMC Data

AMC size - appraisals per year
How many residential appraisals does your company manage each year?
Range 0 1-100 101-250 251-500 751+
Number 8 5 6 5 27
Percent 16% 10% 12% 10% 52%
Axis - average of 120,000 per year.
Unfortunately, the range selections do not go high enough. I have no idea why so many do not do any residential appraisals. Per month would have been a better choice.

Size of AMCs - number of employees
Number of years worked at your company?
Range 0-5 6-10 11-15 16-20 21-25
Number 37 5 6 2 2
Percent 71% 10% 12% 4% 4%
Axis - all employees are under 5 years employment, as it started less than 5 years ago.
The vast majority of AMCs started in the past 5 years, so most are newer employees.

Number of employees, part time and full time
Range 0 1-25 26-50 51-75 76-100 101-125 126-150 151-200 201+
Number 2 30 9 1 1 4 0 4 1
Percent 4% 58% 17% 2% 2% 2% 0% 8% 2%
Axis - 97 employees.
These results are not surprising. Prior to HVCC, there were relatively few AMCs who did about 20% of lender appraisals. Since HVCC, the number of AMCs nationally has expanded to over 400 companies.
These results indicate that most AMCs have recently started, or expanded as 67% their companies' employees have been there less than 5 years.
Also, 67% of the AMCs are small, with 1-25 employees.
For fee appraisers, this means that many AMC employees have little experience working for AMCs, and that the companies are new and still trying to figure out how to be an AMC.

How many independent appraisers do the AMCs have on their panels?
Range 0 1-11 101-125 101-250 251-750 501-750 751-1000
Number 5 20 2 0 5 6 0 16
Percent 7% 28% 28% 7% 8% 0% 22%
Axis - 4200 fee appraisers
Most of the companies work with less than 100 independent appraisers, indicating the AMCs are small. However, xx% work with over 750 appraisers.

Continued on next page