AMC Task Force survey results

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In April 2009, the AMC Task Force prepared and released a survey for Appraisal Institute of Canada (AIC) members. The survey was sent to 4,764 members of which1,704 responded (36% response rate). **Over 1,000 responses were received in the first 24 hours of the survey.** This response rate is the highest ever received by the AIC and underscores the importance of the AMC issues with the general membership.

What is an appraisal management company?

One of the first things the survey did was establish a firm basis or definition for an appraisal management company (AMC). Based on the survey results, the following definition has been noted by the AIC Board of Directors:

An appraisal management company (AMC) *is a business entity that has been contracted by third parties (typically lenders) to manage the appraisal ordering and review process on their behalf.*

The AMC service replaces the in-house appraisal ordering and review process that the AMC's clients may have conducted on their own.

Who did we survey and why?

With respect to demographics, the survey targeted all AACIs, CRAs, Candidates and retired members and made no distinction for fee/non fee. This was done to garner the widest possible feedback from those active in the fee appraisal business and also from those who may have been doing fee work and recently changed positions or retired, as it was felt that they too had important feedback to provide.

Who responded?

As indicated above, 1,704 members took the time to voice their concerns. Responses were received from every province in Canada, with the majority (78%) coming from BC, Alberta and Ontario. This is not surprising given the membership totals in these provinces. Ontario had the highest response rate at 35.9% of total responses.

Overwhelmingly, the highest number of responses came from the larger urban centres (i.e., populations of 100,000 or more).

There was balanced response representation by designation, with CRAs accounting for approximately 37% of the respondents, AACIs accounting for 34%, and Candidates accounting for the balance.

Of those in private practice, the majority of respondents work in offices of less than five people (56.2%) and, in those small offices, 84.3% of staff hold a designation.

How are you retained (i.e., by contract or by quote)?

The survey identified that our members are working for AMCs either on a quote basis for individual assignments or under a contract to provide services.

45% of respondents reported that they had already entered into a contract with an AMC**.** As a follow up question the survey asked ***'would you ever consider entering into an AMC contract?'.*** Responses were 56.8% affirmative and 42.7% negative.

Of those that had already entered into a contract, 66% reported that the AMC had set the terms of the contract and the majority (58%) of respondents were approached directly by the AMC to enter into the contract.

What are the issues?

Fees, Fees, Fees….

Not surprisingly, the survey indicated that the top concern of members in dealing with AMCs is the effect that these organizations are having on appraisal fees. This is also the #1 concern expressed in emails the Task Force receives from members. Concerns about fees are followed relatively closely by concerns over a fair distribution of workloads, lack of contact with banks, receiving full information from clients, and the time logs associated with AMC work.

Top five concerns in working with AMCs, as reported by AIC members in the survey:

1.	Fees	78.9%
2.	Fair distribution of work	64.8%
3.	Contact with bank	61.9%
4.	Full information from client	60.5%
5.	Time logs	58.8%

Delving deeper into the appraisal fee issue, the survey indicated that, of those who actively work for AMCs, 58% of respondents report being on **both** a fee schedule and fee quote arrangement with AMCs.

The task force survey then looked at **what effect members felt AMCs were having on appraisal fees**. The response is somewhat surprising in that 55% of respondents report that AMCs have had a negative affect on the fees charged, while 41.6% reported that AMCs are having no effect at all. However, only 3.4% reported that AMCs have had a positive effect on fees.

Who are the big players?

The survey also asked members to consider which of the management companies are having the greatest impact on appraisal fees. As there are only a handful of AMCs actively working in Canada at this point, the results are not entirely surprising and are summarized as follows:

Organizations which have had the greatest affect on fees, as reported by AIC members *(note: the survey question specified neither a positive nor negative affect)*:

1. Nationwide Appraisal Services (NAS) 30.2% of respondents
2. Centract Settlement Services 29.4%
3. Solidifi 23.2%
4. FnF 12.4%

What about business practice concerns?

The Task Force has also received several concerns from members about issues related to business practices and the survey addressed this issue. Survey respondents reported the following business practice concerns:

Top five business practice concerns

1. Feel pressure to complete reports in very little time 81.7%
2. Feel that AMCs are monopolizing the market 81.4%
3. Feel pressured to accept a lesser fee 78.1%
4. Missed opportunities for an appraisal assignment because you do not respond quickly enough to an offer 76.4%
5. Experience increased administrative requirements in response to an AMC's need for updates and/or file progress reports 75.3%

Are there other threats to the residential business?

While management companies top the list of perceived threats to business for our members, they are not the only concerns. Members also reported that EMILI and AVMs continue to compete with conventional appraisals.

This is followed by concerns over our own members' report quality and competition from other appraisal organizations.

Top threats to business practice, as reported by respondents

1. AMCs 73.1%
2. EMILI 60.4%
3. AVMs 54.0%
4. Report quality 44.6%
5. Other appraisal organizations 42.9%

Looking forward

We then asked how the respondents foresee AMCs affecting the appraisal business in the future? Looking into the future of residential appraisal, fees and control over their own destiny top member concerns. This is followed closely by concerns over the quality of reports in general.

70% of respondents foresee AMCs negatively affecting fees in the future.
75% of respondents feel that they will have less control over the amount of work that they receive now or will receive in the future.

What are the next steps?

The Task Force mandate is to investigate the entire AMC issue, clarify what the AIC can and cannot change, make a request/report to the Board, and communicate information to the members.

Representatives from the four largest AMCs were invited to attend the National Conference in Mont. Tremblant in May 2009. They conducted a seminar followed by a Q & A panel that was well attended by conference participants. A summary of the session is available on the AIC e-library web site *http://www.aicanada.ca/cmsPage.aspx?id=263*

Prior to the session, the AMC Task Force met with representatives of Nationwide Appraisal Services, Solidifi, Centract Settlement Services and FNF. A good dialogue was opened and the committee is optimistic that this will lead to further discussions between the AIC and these major corporations.

The next step for the Task Force is to delve deeper into the results of the survey and to make specific recommendations to the AIC Board of Directors regarding possible courses of action. The member concerns and results voiced in the survey and directly to the Task Force members are being compiled and will be presented to the AIC Board of Directors for their consideration.