

Customary & Reasonable Fees

Residential Fee Study
Georgia



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The Board has adopted a rule that requires Appraisal Management Companies (“AMCs”) to pay appraisers customary and reasonable fees for appraisal services being performed for one to four family residential units for the market area being appraised. The Board has also funded a study of customary and reasonable fees paid in Georgia in 2014 for appraisal services being performed for one to four family residential units.



Why?

Why should the board get involved with fees paid to appraisers



Dodd-Frank

Georgia accepted the provision to regulate AMC's –
which really was not optional

The provision does not say States must regulate fees – it
says states who opt to regulate AMC's must oversee the
requirements AMC's have

One of which is to pay Customary and Reasonable fees



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Customary **AND** Reasonable



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Customary:

according to the customs or usual practices associated with a particular society, place, or set of circumstances.

"it is **customary to** mark an occasion like this with a toast"

synonyms:

usual, traditional, normal, conventional, familiar, accepted, routine, established, well established, time-honored, regular, prevailing



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Reasonable:

having sound judgment; fair and sensible.

synonyms:

sensible, rational, logical, fair, fair-minded, just, equitable; More intelligent, wise, levelheaded, practical, realistic;
sound, reasoned, well reasoned, valid, commonsensical;
tenable, plausible, credible, believable
"a reasonable man"

2.

as much as is appropriate or fair; moderate.



1. An appraisal management company shall be presumed to comply with this Rule if:

the appraisal management company compensates the appraiser in an amount that is reasonably related to recent rates paid for comparable appraisal services performed in the geographic market of the property being appraised. In determining this amount, the appraisal management company shall review the factors below and make any adjustments to recent rates paid in the relevant geographic market necessary to ensure that the amount of compensation is reasonable:

- (1) the type of property;
- (2) the scope of work;
- (3) the time in which the appraisal services are required to be performed;
- (4) appraiser qualifications;
- (5) appraiser experience and professional record; and
- (6) appraiser work quality.



2. As an alternative presumption of compliance, an appraisal management company is presumed to comply with this section if it determines the amount of compensation paid to an appraiser by relying on information about rates that:

- a. is based on objective third-party information, including fee schedules, studies, and surveys prepared by independent third-parties such as government agencies, academic institutions, and private research firms;
- b. is based on recent rates paid to a representative sample of providers of appraisal services in the geographic market of the property being appraised or the fee schedules of those providers; and
- c. in the case of information based on fee schedules, studies, and surveys, such fee schedules, studies, or surveys, or the information derived there from, excludes compensation paid to appraisers for appraisals ordered by appraisal management companies.



3. The Board, at its discretion, may contract with an objective third party, such as an educational institution, to develop a schedule of customary and reasonable fee rates of compensation for use by any appraisal management company electing to do so.

4. An appraisal management company shall maintain records of how it determined the customary and reasonable rate of compensation paid for each appraisal assignment.



VA Fee Schedule:

http://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp

Georgia & North Carolina:

| | |
|------------------|-------|
| Single Family | \$400 |
| 2-4 Units | \$550 |
| Condo | \$450 |
| Partial Releases | \$450 |



Georgia's Fee Study:

All those holding a Georgia Real Estate Appraisers license were sent the Survey. All were contacted by email as well as by mail. Extra effort was Made to update any returned emails or returned mail.

Every possible lender in Georgia was sent the survey. Lists provided by Mortgage Bankers Association and Department of Bank and Finance



Results:

Approximate population of appraisers at the time of the study

CG – 1200

CR – 1150

L – 840

R (trainee) – 1100

Surveys completed:

1192 appraisers

146 lenders



Actual Fees or Aspirational Fees?



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Results:

Survey broke down C&R fees by product and by market area

URAR-UAD

| | Appraiser | Lender |
|---------------------|-----------|--------|
| Atlanta/Sub – Conv. | \$378 | \$372 |
| Atlanta/Sub – FHA | \$406 | \$395 |



Guidelines for GREAB Investigators:

1. Was the appraisal completed within the 5 year statute of limitations found in O.C.G.A. §43-39A-22 (a)?

If not, the case should be closed.



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If not, the case should be closed.

2. Was the appraisal completed before September 9, 2015, the effective date of the customary and reasonable fee rules found in 539-1-.23 (i)? If so, the GREAB has no jurisdiction to proceed and the case should be closed.



Guidelines for GREAB Investigators:

3. Was the appraisal used in a "covered transaction" as defined in CFR §1 026.42 (b)(2)? A "covered transaction" is defined as an extension of consumer credit that is or will be secured by the "consumer's principal dwelling" as defined in §1 026.2 (a)(19). That section states: "dwelling means a residential structure which contains 1 to 4 units, whether or not the structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence." A consumer can only have one principal dwelling at a time. A "principal dwelling" does not include a second home or a vacation home but the main dwelling of an individual. The customary and reasonable fee provisions apply specifically to consumer credit transactions secured by the principal dwelling of the consumer. Therefore, appraisals for foreclosures, REO purposes, investor purchases, investor refinances, and any other transaction which does not involve a credit transaction secured by the "principal dwelling of the consumer," is not regulated or covered under the federal rules and therefore by reference, not covered under the Georgia statute or rules governing customary and reasonable fees. If the appraisal is not for a "covered transaction," it should be excluded from the investigation.



Guidelines for GREAB Investigators:

4. Was the appraisal used in a "federally related transaction" as required in O.C.G.A. §43-39A-14.1 (e) and Rule 539-1-.23 (i)? A "federally related transaction" is defined in O.C.G.A. §43-39A-2 (18) as any real estate related financial transaction which (A) a "federal financial institutions regulatory agency" ... engages in, contracts for, or regulates; and (B) requires the services of an appraiser."



Guidelines for GREAB Investigators:

5. If the appraisal under review is one for which the customary and reasonable fee provisions are applicable, what questions should you ask the Respondent AMC to determine if it is following Georgia law and federal regulation?

You should ask the following:

- (a) How did it determine that the fee was customary and reasonable?
- (b) Did it follow one of the standards or presumptions required Georgia law?
- (c) Which specific standard or presumption was used by the AMC to determine the fee was customary and reasonable?
- (d) How did the fee paid by the AMC to the appraiser compare to the fee found in the 2014 Georgia Customary and Reasonable Fee survey?



FAQ:

Does the Board have a set fee schedule?

Has Georgia had any C&R complaints?

Who has filed C&R fee complaints?

Will the study be updated? If so how often?

In a typical lender/AMC relationship, who Dictates the fee to be paid to the appraiser?

