

AMCs/Reasonable and Customary Fees/Turnaround Time FAQs

What is a reasonable and customary fee?

FHA believes that the marketplace best determines what is reasonable and customary in terms of fees. The fee is result of a business decision, which may or may not be negotiated, between the appraiser and the client. FHA does not set fees or determine whether a fee is reasonable and customary. Lenders are expected to know what is reasonable and customary in the areas in which they lend and are expected to ensure that the fees paid by consumers for both the appraisal and the management of the appraisal process are reasonable and customary.

What if the AMC assigns the appraisal based on the lowest bidder for the service?

The lender must determine whether an appraiser’s qualifications, as evidenced by education, training and actual field experience, are sufficient to enable the appraiser to competently perform appraisals before assigning an appraisal to them. Even if the lender employs an AMC to manage the appraisal process, FHA holds the lender responsible, equally with the appraiser, for the quality and accuracy of the appraisal. If an appraiser chooses to be a low bidder on an assignment, he or she is not relieved of the obligation to produce a credible and accurate report.

Is “reasonable and customary” for any given market an objective number?

Given that a reasonable and customary fee depends on the complexity of the assignment and the expertise needed to perform and report a credible and accurate appraisal of the property, the fee will vary depending upon the property type, the purpose of the assignment and the scope of work and, therefore, cannot be easily defined as an objective number.

What will FHA do if there is a great disparity between the fee the appraiser reports and the fee on the HUD-1?

Appraisers have the option of reporting the fee on the appraisal but are not required to do so. The disclosure of the fee promotes transparency and FHA believes that borrowers and other parties should be aware of the fee paid for the appraisal. Consistent with RESPA guidelines, lenders are not required to break out or itemize appraisal related fees on the HUD-1.

Where do I complain when a lender wants to pay less than what is reasonable and

The lender is responsible for ensuring that all FHA policies are followed and therefore has the responsibility to ensure that appraisers are paid a reasonable and customary fee. An appraiser who feels that the fee offered or paid for the appraisal is not reasonable and customary should file notice with the lender. Appraisers should not accept an assignment if they believe that the terms of

customary? the appraisal service being requested, including fees, are not reasonable.

Where do I complain if the AMC asks for an unethical or inappropriate fee or service? FHA has no authority to regulate AMC's. If an AMC requests an appraiser to violate USPAP or act in an unethical manner, the appraiser should refuse the assignment and notify the lender. The appraiser should also contact the appropriate state authority where the property is located to determine if the state has regulatory authority over AMCS.

What do I do if the lender or AMC requires a quick turnaround time on appraisal assignments? FHA does not set acceptable turnaround times for completion of appraisal assignments. Appraisers should always be familiar with the terms of an assignment and not accept assignments which have unrealistic terms. What is an acceptable turnaround time for one appraiser may be unacceptable to another appraiser.
