



Department of Business Regulation

233 Richmond Street
Providence, RI 02903

Banking & Commercial Licensing Bulletin Number 2002-1

AFFILIATED APPRAISAL MANAGEMENT COMPANIES

R. I. Gen. Laws §19-9-3.1 - Mortgage Loan Appraisers Relationship With Lending Institutions
R. I. Gen. Laws §5-20.7-24 - Mortgage Loan Appraisers Relationship With Lending Institutions

The Department of Business Regulation ("Department") Division of Banking ("Division") issues this bulletin to clarify its position with respect to the use of an affiliated appraisal management company ("AAMC") by a lending institution as it relates to the above referenced provisions of Rhode Island Law.

The Division would not seek to prohibit a lending institution from utilizing the services of an AAMC subject to the following conditions:

1. The total fees charged to the mortgagor for the appraisal, including fees for services performed by an AAMC, do not exceed the customary and reasonable fee for an appraisal performed without the use of an AAMC in the market area where the appraisal is performed;
2. The total fees charged to the mortgagor for the appraisal, including the fees for services performed by an AAMC, are supported by verifiable written documentation;
3. The AAMC is not permitted to hire or use an appraisal company that is either owned by or has directors, stockholders, or employees of either the AAMC or the affiliated lending institution;
4. The lending institution assumes full responsibility for ensuring that the AAMC does not use an appraisal company that is either owned by or has directors, stockholders, or employees of either the AAMC or the affiliated lending institution; and
5. The total fees charged to the mortgagor comply with all aspects of the Real Estate Settlement Procedures Act (RESPA) and its implementing regulations, including restrictions against:
 - Kickbacks and referral fees;
 - Charges for settlement services that were not actually performed; and
 - Payments in affiliated business arrangements other than return on ownership.

The Department would not, therefore, cite as a violation of R. I. Gen. Laws §§ 19-9-3.1 or 5-20.7-24 a lending institution that utilizes an AAMC in compliance with the conditions specified above.

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