

HOUSE BILL REPORT

SB 6169

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to lenders use of third-party real estate appraisals to conform with federal requirements.

Brief Description: Regulating third-party appraisals.

Sponsors: Senators Winsley and Prentice.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/25/98, 2/26/98 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 11 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser; Sullivan and Wensman.

Staff: Jim Morishima (786-7191).

Background: In general, only individuals who are certified or licensed real estate appraisers may conduct real estate appraisals. However, appraisals for government entities do not have to be performed by certified or licensed real estate appraisers. Likewise, an unlicensed employee of a financial institution or mortgage broker may conduct an appraisal or an appraisal review as long as the appropriate federal financial institutions regulatory agency does not require that the appraisal or appraisal review be performed by a licensed real estate appraiser.

Summary of Bill: An unlicensed third party may perform a real estate appraisal or appraisal review for a financial institution or mortgage broker as long as the appropriate federal financial institutions regulatory agency does not require the appraisal or appraisal review be performed by a licensed real estate appraiser.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill lowers costs for lenders who then pass the savings down to consumers. Unlicensed third party appraisals have only been impermissible for a short time. Before such appraisals were banned, there were no safety and soundness concerns with unlicensed third party appraisals. Also, this bill would place Washington lenders on an equal footing with federal lenders and lenders from other states. Finally, this bill helps low income families obtain cheaper loans by lowering lender costs.

Testimony Against: This bill helps lower the number of fraudulent appraisals which was one of the main causes of the savings and loan crisis. Banks put pressure on appraisers to inflate their appraisals and some unlicensed appraisals are inaccurate. These inaccurate appraisals hurt the taxpayers who are the ultimate insurers of the lenders. This bill only benefits the lenders, not the public. Fees from licensed appraisers are not excessive and are worth the higher cost. Finally, many licensed appraisers help low income families by providing pro bono appraisals.

Testified: (Pro): Scott Gaspard, Washington Savings League; Gary Gardner, Boeing Employees Credit Union; Kevin Cohr, Continental Savings Bank; and Majken Ryherd Keira, Washington Low Income Housing Congress. (Con): Michael Lamb, Lamb Real Estate Appraisers; Joseph F. Benn, Appraisal Center, Inc.; Peter N. Den Hollandel, Appraiser; Ben Leibson, Sunny Skies Appraisal; Sheridan Sheffer, Seattle Chapter Independent Fee Appraiser; Robert Woodworth, Woodworth Appraisal; Ronald S. Prevost, Steel Lake Appraisal; Jim Tesso, Jim Irish, and Bill King from Appraiser Coalition of Washington and National Association of Independent Fee Appraisers (NAIFA); Richard Burris, NAIFA; and George Nervik, NAIFA.