

HOUSE BILL REPORT

HB 2566

As Passed House:
February 9, 2012

Title: An act relating to maintenance of a surety bond for appraisal management companies.

Brief Description: Increasing the penal sum of a surety bond required to be maintained by an appraisal management company.

Sponsors: Representatives Stanford, Takko, Blake and Hudgins.

Brief History:

Committee Activity:

Business & Financial Services: 1/24/12 [DP].

Floor Activity:

Passed House: 2/9/12, 97-0.

Brief Summary of Bill

- Increases the amount of the surety bond that an appraisal management company must maintain from \$25,000 to \$100,000.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass. Signed by 13 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Buys, Assistant Ranking Minority Member; Blake, Condotta, Hudgins, Hurst, Parker, Pedersen, Rivers, Ryu and Stanford.

Staff: Alexa Silver (786-7190).

Background:

An appraisal management company is a business entity that administers a panel of appraisers to complete real estate appraisal assignments on behalf of other entities. An appraisal management company's functions include: recruiting appraisers, negotiating fees, and administering appraisal orders. It is unlawful to engage in business as an appraisal management company or to perform appraisal management services without obtaining a license from the Department of Licensing.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Appraisal management services include the following functions performed on behalf of a lender, financial institution, mortgage broker, loan originator, or any other person:

- administering an appraiser panel;
- recruiting, qualifying, verifying licensing or certification, and negotiating fees and service level expectations with persons who are part of an appraiser panel;
- receiving an order for an appraisal from one person or entity and delivering the order to an appraiser for completion;
- tracking and determining the status of appraisal orders;
- conducting quality control of a completed appraisal prior to delivery of the appraisal; and
- providing a completed appraisal to one or more persons or entities.

An application for licensure must include certain information about the entity and controlling persons, as well as certifications that the entity: has a system for verification of appraisal panel members' licensure or certification; has a system to review the work of appraisers who perform real estate appraisal services; maintains a detailed record of each service request; and maintains a complete copy of appraisal reports.

An applicant for licensure must maintain a \$25,000 surety bond for the use and benefit of the state and any person with a cause of action against the licensee. The bond must be conditioned that the licensee will abide by the applicable licensing laws and rules.

Summary of Bill:

An applicant for licensure as an appraisal management company must file and maintain a surety bond of at least \$100,000.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The law regulating appraisal management companies was enacted two years ago at a time when they were fairly new. There was no good empirical evidence regarding the amount that should be required for surety bonds. Now there has been some experience in the industry, and some appraisal management companies have failed. Increasing the amount of the surety bond will provide additional assurance. This is a simple bill that will provide more protection and reliability in the industry.

(Opposed) None.

Persons Testifying: Representative Stanford, prime sponsor; and Stan Sidor and T.K. Bentler, Appraiser's Coalition of Washington.

Persons Signed In To Testify But Not Testifying: None.