

# SENATE BILL REPORT

## SHB 1012

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As of March 15, 2013

**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:** House Committee on Business & Financial Services (originally sponsored by Representatives Stanford, Kirby, Ryu and Hudgins).

**Brief History:** Passed House: 3/04/13, 98-0.

**Committee Activity:** Financial Institutions, Housing & Insurance: 3/14/13.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Edward Redmond (786-7471)

**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 (Department).

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, and 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 as an appraisal management company must include certain information about the entity and controlling persons, as well as certifications that the entity:

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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 as an appraisal management company must maintain a surety bond of at least \$25,000 for the use and benefit of the state and any person with a cause of action against the licensee. The bond must be conditioned such 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.

The Director of the Department may accept a cash bond or other security in lieu of a surety bond if the Director determines that surety bonds are not readily available to appraisal management companies. The security must be in the same amount as the required surety bond, and all obligations and remedies relating to surety bonds apply to the security.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: This is the same bill that was introduced last year but died on the 9th order. A number of appraisal companies, including companies in this state, have failed leaving appraisers with unpaid appraiser fees. We believe the current surety bond limit is inadequate and we would like to raise it in order to keep stability in the industry. The bill has received no opposition and we ask for your support.

**Persons Testifying:** PRO: Representative Stanford, prime sponsor; Stan Sidor, Appraiser's Coalition of WA.