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**Business & Financial Services Committee**

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**HB 2922**

**Brief Description:** Concerning appraisal management companies and appraisal fees.

**Sponsors:** Representative Kirby.

**Brief Summary of Bill**

- Requires appraisal management companies to compensate appraisers a reasonable and customary fee.
- Adopts the United States Department of Veteran's Affairs' appraisal fee and timeliness schedule as an example of reasonable and customary appraisal fees.
- Mandates an increase in appraisal fees for complex appraisals.
- Adopts a mandatory compensation schedule for cancelled or changed appraisal requests.
- Requires appraisal management companies to pay appraisers no later than 15 days after the appraisal report is completed.

**Hearing Date:** 1/30/18

**Staff:** Robbi Kesler (786-7153).

**Background:**

An appraisal management company (AMC) is a business entity that administers a panel of appraisers to complete real estate appraisal assignments on behalf of other entities. An AMC's functions include recruiting appraisers, negotiating fees, and administering appraisal orders. A person in business as an AMC or engaging in appraisal management services must obtain a license from the Department of Licensing (Department).

Real estate appraisers evaluate the value of real property. The Department certifies and licenses real estate appraisers.

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*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.*

The Department regulates many businesses and professions under specific licensing laws. Each business and profession is under either the disciplinary authority of the Director of the Department, or a board or commission charged with regulating that particular profession.

The United States Department of Veteran's Affairs (VA) has adopted an appraisal fee schedule for various regions. The Denver VA regional loan center fee and timeliness schedule lists fees and timeliness requirements for states in the northwestern United States, including Washington.

### **Summary of Bill:**

AMCs must compensate appraisers a reasonable and customary fee. Any AMC that uses the Veteran's Administration fee schedule is presumed to be in compliance with the requirement to provide reasonable and customary compensation for appraisers.

Reasonable fees for complex appraisals may reflect the increased time, difficulty, and scope of work required and the compensation shall be increased a minimum of 15 percent per each of the following conditions:

- site size greater than one acre, but less than six acres;
- site size greater than six acres, but less than 10 acres;
- site size greater than 10 acres;
- gross living area that is greater than 3,000 square feet but less than 5,000 square feet;
- gross living area that is greater than 5,000 square feet but less than 7,000 square feet;
- gross living area that is greater than 7,000 square feet;
- unique construction including waterfront, beach, golf course, log home, earth home, green construction, wind power, solar systems, and resort properties;
- rush requests;
- cost approach;
- income approach or comparable rent schedule;
- operating income statement;
- additional comparable sales or listings beyond the minimum basic requirements under federal law;
- each revision request after the first revision request after the appraiser has submitted the appraisal report;

Exterior only appraisals shall be compensated at a minimum of 90 percent of the standard fee.

In the event of a cancellation, the appraiser shall be entitled to:

- 25 percent of the fee if the assignment is cancelled after acceptance by the appraiser;
- 50 percent of the fee if the assignment is cancelled less than three days before the site visit or if the site visit has been started;
- 65 percent of the fee if the site visit has been completed;
- 75 percent of the fee if the site visit has been completed and the comparable sales research has been started;
- 90 percent of the fee if the appraiser has begun writing the appraisal report;

Additional trip fees, missed appointment fees, and re-inspections, are to be paid a minimum of 35 percent of the appraisal fee. Any appraisal report order change will incur a minimum of 25 percent fee increase.

An AMC may complete a background check on potential members of their appraisal panel, but may not charge the appraiser for the background check

An AMC must pay the appraiser no later than 15 days after the completion of the appraisal service.

The provision prohibiting an AMC from altering a completed appraisal report is updated to include prohibiting an AMC from unlocking or removing the security features of an electronic form or removing the appraiser's signature.

**Appropriation:** None.

**Fiscal Note:** Requested on 1/29/18.

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