
**Consumer Protection & Business
Committee**

HB 1244

Brief Description: Concerning appraisal management company Title XI compliance and license expiration.

Sponsors: Representative Walen; by request of Department of Licensing.

Brief Summary of Bill

- Makes appraisal management company (AMC) licenses valid for one year.
- Changes the AMC ownership requirements.
- Modifies application of the state's AMC laws.

Hearing Date: 1/22/19

Staff: Serena Dolly (786-7150).

Background:

Appraisal Management Companies. An AMC performs appraisal management services on behalf of a lender, financial institution, mortgage broker, or loan originator, including:

- administering an appraiser panel;
- recruiting, qualifying, and verifying licensing of appraisers;
- negotiating fees of real estate appraisers;
- receiving an appraisal order and delivering it to a panel of appraisers for completion;
- tracking order status;
- conducting quality control; and
- providing a completed appraisal.

Appraisal Management Company License and Regulation. The Department of Licensing (DOL) regulates the activities of AMCs and may conduct audits and investigations. A person in

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business as an AMC or engaging in appraisal management services must obtain a license from the DOL. An AMC license is valid for two years.

Appraisal Management Company Ownership Eligibility. Each entity owning more than 10 percent of an AMC may not be:

- directly controlled by a person who has had an appraiser license refused, denied, canceled, or revoked; or
- more than 10 percent owned by any person who has had an appraiser license refused, denied, canceled, or revoked in any state.

Each person that owns more than 10 percent of an AMC must:

- not have had an appraiser license refused, denied, canceled, or revoked in any state;
- be of good moral character, as determined by the DOL; and
- submit to a background investigation.

Each AMC must certify to the DOL that it has reviewed each individual or entity with at least a 10 percent share and that they are not prohibited from owning an AMC under the law.

Limitation on Application of State Appraisal Management Company Laws. The AMC laws do not apply to certain federally regulated financial institutions' departments or units.

Summary of Bill:

Appraisal Management Company Licenses. An AMC license is valid for one year.

Appraisal Management Company Ownership Eligibility. Each entity owning more than 10 percent of an AMC may not be directly controlled or owned, in whole or in part, by any person who has had an appraiser license refused, denied, canceled, or revoked in any state.

Each person who owns an AMC, in whole or in part, must not have had an appraiser license refused, denied, canceled, or revoked in any state. Owners of more than 10 percent of an AMC must be of good moral character and submit to background investigations.

Each AMC must certify to the DOL it has reviewed each individual or entity, in whole or in part, and that they are not prohibited.

Limitation on Application of State Appraisal Management Company Laws. The laws do not apply to an AMC that is a subsidiary owned and controlled by a financial institution regulated by a federal financial institution regulatory agency.

Federal Monitoring of Appraisers. Under Title XI of the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the United States Congress created the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council. The purpose of the ASC is to ensure real estate appraisals are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and professional conduct is subject to effective supervision. To carry out this goal, the ASC is tasked with monitoring state regulation of real estate appraisers. One of the ASC's core functions is to monitor requirements

established by states for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.

Federal Monitoring of Appraisal Management Companies. Title XI, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, expanded the ASC's core functions to include monitoring requirements established by states that elect to register and supervise operations and activities of the AMCs. Title XI requires the ASC to maintain the AMC registry, which includes entities that are either registered with and subject to supervision by a state that has elected to register and supervise AMCs; or are operating subsidiaries of a federally regulated financial institution, called federally regulated AMCs. In 2017, the ASC issued a rule requiring the collection and transmission of annual AMC registry fees by states that elect to register and supervise AMCs.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: July 31, 2019.