

FINAL BILL REPORT

SB 5124

C 74 L 19
Synopsis as Enacted

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

Sponsors: Senator Das; by request of Department of Licensing.

Senate Committee on Labor & Commerce
House Committee on Consumer Protection & Business

Background: Appraisal Management Company Regulation. The Department of Licensing (DOL) regulates the activities of appraisal management companies (AMCs) and may conduct audits and investigations. 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, or verifying licensing;
- negotiating real estate appraiser fees;
- receiving an appraisal order and delivering it to a panel of appraisers for completion;
- tracking order statuses;
- conducting quality control; and
- providing a completed appraisal.

Appraisal Management Company Licenses. A person in business as an AMC or engaging in appraisal management services must obtain a license from 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 DOL; and
- submit to a background investigation.

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.

Each AMC must certify to DOL 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.

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 whose professional conduct will be 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 ASC's core functions to include monitoring requirements established by states that elect to register and supervise operations and activities of AMCs. Title XI requires the ASC to maintain the AMC registry, which includes entities 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.

Summary: 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 DOL it has reviewed each individual or entity, in whole or in part, and that they are not prohibited owners.

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.

Votes on Final Passage:

Senate	45	0
House	97	0

Effective: July 31, 2019
June 4, 2020 (Section 1)