

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

PROFESSIONAL LICENSURE COMMITTEE
PUBLIC HEARING

STATE CAPITOL
HARRISBURG, PA

MAIN CAPITOL BUILDING
ROOM B-31

WEDNESDAY, MAY 10, 2017
9:31 A.M.

PRESENTATION ON
HOUSE BILL 863
TO AMEND THE REAL ESTATE LICENSING LAW

BEFORE:

HONORABLE MARK T. MUSTIO, MAJORITY CHAIRMAN
HONORABLE ROSEMARY BROWN
HONORABLE JOE EMRICK
HONORABLE SUE HELM
HONORABLE DAVID HICKERNELL
HONORABLE JERRY KNOWLES
HONORABLE STEVEN MENTZER
HONORABLE MARGUERITE QUINN
HONORABLE JAMES SANTORA
HONORABLE HARRY READSHAW, DEMOCRATIC CHAIRMAN
HONORABLE TIM BRIGGS
HONORABLE DOM COSTA
HONORABLE DAN DEASY
HONORABLE JOANNA MCCLINTON
HONORABLE ADAM RAVENSTAHL

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*Pennsylvania House of Representatives
Commonwealth of Pennsylvania*

ALSO IN ATTENDANCE:

REPRESENTATIVE GREG ROTHMAN

COMMITTEE STAFF PRESENT:

WAYNE CRAWFORD

MAJORITY EXECUTIVE DIRECTOR

MAUREEN BEREZNAK

MAJORITY RESEARCH ANALYST

KELLY ROTH

MAJORITY LEGISLATIVE ADMINISTRATIVE ASSISTANT

MARLENE TREMMEL

DEMOCRATIC EXECUTIVE DIRECTOR

KEONTAY HODGE

DEMOCRATIC LEGISLATIVE ADMINISTRATIVE ASSISTANT

I N D E X

TESTIFIERS

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SUBMITTED WRITTEN TESTIMONY

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P R O C E E D I N G S

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MAJORITY CHAIRMAN MUSTIO: Good morning, everyone. I want to call the meeting of the House Professional Licensure Committee meeting to order.

The first order of business is to take roll.

(Roll was taken.)

MAJORITY CHAIRMAN MUSTIO: So there are some other meetings going on in the Capitol, so we'll probably have Members coming and going.

Just to remind everyone, the meeting they're hearing is being taped, and we're going to have to do something with that door, Kelly, so that we --

Okay. Representative Brown is here. All right.

We're holding this public hearing to take testimony on House Bill 863, which is legislation that amends the Real Estate Licensing and Registration Act to authorize licensees to perform broker price opinions. The prime sponsor of the bill is Representative Rothman, and I'd like to recognize him to make a few comments.

REPRESENTATIVE ROTHMAN: Good morning, Chairman Mustio, Chairman Readshaw, and colleagues and Members of the House Professional Licensure Committee. Thank you for

1 this opportunity to speak.

2 Just to give you a little background about me and
3 why this bill is of interest to me and why in some sense
4 I'm uniquely qualified by nature of my life before coming
5 to the Legislature. Both my grandfather and my father are
6 real estate brokers. My father's been an appraiser and a
7 broker since 1962 and is still active today. He serves on
8 the Appraisal Board for the State. I became a licensed
9 real estate agent in 1989 and began doing brokerage and
10 appraising in 1992. I took my real estate pre-licensing
11 courses while I was still in college. My son got his real
12 estate license when he was 18 years old, and my wife is
13 also in real estate as well.

14 For the last 25 years, my real estate company,
15 about 50 percent of our income was appraising and 50
16 percent was brokerage. I am an MAI, which is the highest
17 designation for commercial appraisers, and I've also served
18 as a broker of my company.

19 I spent 4-1/2 years on the Real Estate
20 Commission, and as I said before, my father serves on the
21 Appraisal Board. And so the concept of BPOs, which are
22 broker price opinions, has been something that I've had the
23 opportunity to deal with both in practice and also as a
24 regulator at the Real Estate Commission.

25 Broker price opinions are illegal in the State of

1 Pennsylvania. At least once a week my company will receive
2 a request to do a BPO. They would ask us how much, how
3 long it would take. I would tell they're illegal in the
4 State of Pennsylvania, and the person on the line would
5 hang up the phone and call someone else.

6 There is a place in the State of Pennsylvania --
7 most other States allow BPOs. The appraisers and the
8 realtors have worked for three or four years. I had an
9 opinion while I was on the Real Estate Commission and in
10 the last year-and-a-half since I've been here to try to
11 bring them together to come up with a limit of how we do
12 the BPOs. So this bill would allow broker price opinions
13 in Pennsylvania and narrowly define when they can be used.

14 It's a result of a lot of compromise on both
15 sides. I've said I have two daughters. I love them
16 equally, and that's how I feel about realtors and brokers
17 and appraisers. So I've tried to come up with legislation
18 that would allow for BPOs to take place but also protect
19 the interests of both the realtors and their brokers and
20 the appraisers.

21 This legislation also changes the pre-licensing
22 course qualifications. Right now in the State of
23 Pennsylvania, you have to take classes 60 hours. That
24 began in 1980. I took the same 60 hours in 1986 that my
25 son took in 2006. We are now suggesting that we raise the

1 amount of hours required to 75 hours that would get in line
2 with the State of New Jersey, the State of New York, which
3 are both 75 hours. Ohio is 120 hours, West Virginia is 90
4 hours, and Delaware is 99 hours. And I don't have the
5 specific other industries, but cosmetology requires more
6 hours than it does to represent someone in a large real
7 estate transaction.

8 So we believe that adding an extra 15 hours with
9 the changes that have taken place in the industry in the
10 last 36 years, 37 years since the licensing -- original 60
11 hours were required is not a big deal. And as young people
12 are graduating from high school and making the decision to
13 go into the real estate industry instead of going to
14 college, which there's no requirement for a college degree,
15 that that also would be good to have the extra 15 hours.

16 We do include in the bill a requirement that you
17 have a high school diploma. You know, there have been some
18 questions about requiring a college diploma. I was opposed
19 to that when I served on the Real Estate Commission. And
20 this bill just requires a high school diploma or the
21 equivalent. And it allows the Commission to decide what
22 the equivalent is. So if there's someone who grew up in a
23 foreign country and doesn't have the United States high
24 school diploma, then they can petition the Real Estate
25 Commission.

1 I appreciate your consideration of this bill, and
2 I believe that this bill will protect consumers in
3 Pennsylvania and make the real estate industry better as we
4 serve the people of Pennsylvania.

5 MAJORITY CHAIRMAN MUSTIO: Thank you. Do any
6 Members have any questions?

7 REPRESENTATIVE SANTORA: Just one.

8 MAJORITY CHAIRMAN MUSTIO: Yes, Representative
9 Santora.

10 REPRESENTATIVE SANTORA: I assume a high school
11 GED will meet the requirement as well?

12 REPRESENTATIVE ROTHMAN: Yes, sir.

13 REPRESENTATIVE SANTORA: Excellent. Thanks.

14 MAJORITY CHAIRMAN MUSTIO: Thank you,
15 Representative Rothman.

16 We do have three panels of testifiers and also,
17 Members, in your packet we do have written testimony from
18 Peter Speaks from the Department of State.

19 The first panel will be from the Pennsylvania
20 Association of Realtors Kathy McQuilkin and Mark Mohn.

21 MS. MCQUILKIN: Good morning, Chairman Mustio,
22 Chairman Readshaw, and Members of the House Professional
23 Licensure Committee. I'm Kathleen McQuilkin. I serve as
24 the 2017 President of the Pennsylvania Association of
25 Realtors. And this is Mark Mohn, our association's

1 Legislative Chair.

2 I'm a practicing realtor at RE/MAX Professional
3 in Exton, and Mark is with RE/MAX of Reading in Wyomissing.
4 Together, we have more than 40 years of real estate
5 experience.

6 We're here today on behalf of the 30,000 members
7 of the Pennsylvania Association of Realtors in support of
8 House Bill 863 introduced by Representative Rothman. The
9 amendments proposed in House Bill 863 are the result of a
10 realtor task force that examined Pennsylvania's educational
11 requirements for real estate licensees. The bill makes
12 changes to the State Real Estate Licensing and Registration
13 Act, also known as RELRA. PAR believes that the proposed
14 changes will result in an enhanced level of service for our
15 customers and consumers and a higher level of competency
16 throughout the real estate industry.

17 House Bill 863 proposes several changes. The
18 first would require additional training for the salesperson
19 prelicensure education. The bill would increase
20 prelicensure education for new licensees by an additional
21 15 hours. Allowing for the grandfathering process of those
22 already enrolled in classes, PAR believes increasing the
23 prelicensure education requirement will help raise the
24 level of competency of new licensees, helping them to
25 better serve their clients and giving them a greater

1 understanding of the real estate transaction.

2 The additional 15 hours will raise the required
3 education from 60 hours to 75 hours. Throughout the United
4 States, the average prelicensure requirement is 79 hours.
5 Twenty-six States already require more than the 60 hours of
6 prelicensure education, including our neighbors Delaware
7 with 99; New Jersey, 75; New York, 75; Ohio, 120; and West
8 Virginia, 90.

9 Second, House Bill 863 would require salesperson
10 licensees to complete all licensure courses within five
11 years prior to the date of taking and passing the exam,
12 allowing for a grandfathering process for those already
13 enrolled in classes. Due to the increasingly challenging
14 real estate market, PAR believes it would be more
15 advantageous for both the new real estate licensee and the
16 consumer if courses were required to be completed in a
17 shorter period of time. With a shorter timeframe, new
18 licensees would be better equipped to handle the ever-
19 changing market.

20 And third, House Bill 863 would require a high
21 school diploma or equivalent for licensure as a real estate
22 salesperson. Pennsylvania has relatively easy standards to
23 become a real estate licensee. Requiring a high school
24 diploma or its equivalent will help elevate the
25 professionalism of all licensees, as well as provide

1 additional protection for the consumers that we serve.

2 MR. MOHN: In addition to these requirements, PAR
3 also supports the efforts to amend RELRA to allow licensees
4 to conduct broker price opinions, as Representative Rothman
5 state, or BPOs, as they're commonly known in the industry.
6 A broker's price opinion is the process used by a hired
7 sales agent to determine the potential selling price or
8 estimated value of a real estate property. A BPO is
9 popularly used in situations where a financial institution
10 believes the expense and delay of an appraisal is
11 unnecessary.

12 PAR has met with representatives from the State
13 Real Estate Commission, the State Board of Certified Real
14 Estate Appraisers, Coalition of Pennsylvania Real Estate
15 Appraisers, Real Estate Valuation Advocacy Association or
16 REVAA, and the Pennsylvania Bankers Association to
17 negotiate specifics of this amendment over the past several
18 years. We've worked to incorporate many of the requests
19 from each group.

20 The result is a restrictive use of BPOs, in fact
21 probably one of the most restrictive in the country. The
22 amendment allows BPOs only for an entity or financial
23 institution. The association recognizes that BPOs are not
24 certified appraisals, nor do they take the place of one.

25 We support the bill's definition of a BPO. House

1 Bill 863 would require that a BPO fee be paid directly to a
2 broker. In addition, it will require agents to take a
3 valuation certification course, be licensed for at least
4 three years, and take valuation continuing education each
5 two-year cycle.

6 The proposed legislation outlines that BPOs could
7 only be used in conjunction with a real estate owned, or
8 REO; loan modifications; short sales; portfolio evaluation
9 or monitoring; and relocation. BPOs could not be used for
10 bankruptcy, tax appeals, eminent domain, divorce, equitable
11 distribution, or actions before any court or loan
12 origination.

13 Currently, 45 States allow BPOs to be performed,
14 and according to industry estimates, more than 10 million
15 BPOs are performed annually across the country. We believe
16 it's time to make provisions for BPOs in Pennsylvania.

17 The Pennsylvania Association of Realtors is
18 dedicated to continually enhancing the education and
19 competency of real estate licensees. Thank you again for
20 allowing us a few minutes to share our support of House
21 Bill 863. We look forward to working with you toward the
22 passage of this bill, and we'd certainly be happy to answer
23 any questions you have. Thank you.

24 MAJORITY CHAIRMAN MUSTIO: Thank you.
25 Representative Helm has a question.

1 REPRESENTATIVE HELM: Thank you, Mr. Chairman.

2 First of all, I think it's an excellent bill. I
3 think it brings a lot of much-needed updates to the real
4 estate industry. But my question is really around about
5 the BPOs. Basically, you say it would require a fee to be
6 paid directly to a broker. I honestly think that the
7 lender should be required to call the broker and not just
8 call into the real estate company, and whoever picks up the
9 phone, ask them to do one of these because I think that's
10 where a lot of the problems in the past occurred. So
11 that's just a comment on that.

12 But where you say evaluation certification
13 course, I assume that would be part of the regular
14 continuing education class.

15 MR. MOHN: Well, it would actually be an
16 additional requirement above that. So if someone is on
17 their two-year cycle of education requirements, if they
18 wish to do BPOs, they need to take valuation courses in
19 order to qualify to do those BPOs.

20 REPRESENTATIVE HELM: All right. And I just have
21 one other question. Like if you're a broker/appraiser,
22 there's about 500 broker/appraisers in Pennsylvania, which
23 we are, you know, allowed to do appraisals of certain types
24 and do BPOs, but would this -- most of us broker/appraisers
25 take the appraisal classes but make sure we have the

1 correct classes for our real estate license so we don't
2 have to take extra. So will this course be required for a
3 broker/appraiser when you're taking the regular appraisal
4 classes?

5 MR. MOHN: And I believe Representative Rothman
6 can probably speak a little bit more to what he had
7 included in the bill, but we had discussed some of that in
8 regards to -- you know, obviously, the Real Estate
9 Commission has the allowances, has the oversight to say,
10 you know, what has been done. And obviously, the education
11 that the appraisers take for their licensure is certainly
12 far more in line with valuation than what we're requiring
13 for simple BPOs to be done.

14 REPRESENTATIVE HELM: Well, I thank you for the
15 work you all put into this because I think it is an
16 excellent bill.

17 MAJORITY CHAIRMAN MUSTIO: Thank you.
18 Representative Santora.

19 REPRESENTATIVE SANTORA: Thank you.

20 As part of your role in PAR, and I talk to you,
21 Kathy, as President, I assume you have a lot of contact
22 with NAR, National Association of Realtors?

23 MS. MCQUILKIN: Yes.

24 REPRESENTATIVE SANTORA: So one of the things I
25 noticed with PAR, and I assume the other States do the

1 same, is when there's an issue with something, you send out
2 notice. It's in a weekly newsletter. I get it through
3 Suburban West. I'm also a realtor for full disclosure and
4 a broker. So any major issues with BPOs being done in
5 other States by real estate professionals that you're aware
6 of?

7 MS. MCQUILKIN: Truthfully, most other States,
8 45, have an allowance for BPOs to be performed. So we are
9 one of the unusual few that do not, and in fact this will
10 be one of the most restrictive BPO allowances in the United
11 States if it passes.

12 REPRESENTATIVE SANTORA: But that's what I mean.
13 We're not hearing anything from the National Association of
14 any issues in those other 45 States?

15 MS. MCQUILKIN: No.

16 REPRESENTATIVE SANTORA: Okay. Thank you. As
17 for the 15 extra hours of education, I think it's a great
18 thing. I feel like the 60 hours, you know, got you enough
19 but it wasn't quite there, and I think that extra 15 hours
20 will be good as long as I don't have to go back and take
21 it. But my concern is how restrictive this bill is. And
22 if it goes any further, I know there are some amendments
23 being floated out there, they're very, very concerning to
24 me. I think it's a bad idea if we go any further because
25 basically, when I read some of the ideas that are coming

1 across, the bill will be useless. It'll be a joke quite
2 frankly. And we might as well just not do it at that
3 point. I really believe that. What is PAR's position on
4 that?

5 MR. MOHN: We've reviewed the proposed amendments
6 that have come forward, and we're firmly behind this
7 current version of the bill. The amendments, as proposed,
8 I think would really curtail the process of making real
9 estate licensing in Pennsylvania more professional of a
10 profession frankly.

11 The number of years and hours that were put in
12 working with all of the different entities that I have
13 spoken of, we came together with a really, really great,
14 very restrictive bill, as you had stated. And we believe
15 that we stand firmly behind what we have in front of you
16 today.

17 REPRESENTATIVE SANTORA: Great, thank you.

18 MAJORITY CHAIRMAN MUSTIO: Representative Quinn.

19 REPRESENTATIVE QUINN: Thank you. And thank you
20 very much for being here today.

21 First, I was licensed through -- I received my
22 real estate license after my 60 hours back in 19 -- not 18
23 -- 1989 and was going through my broker courses when I
24 chose the path less traveled and I ended up here. So I'm
25 not practicing as a realtor right now.

1 And I think this is a great bill, but I have
2 questions just to follow up on what Representative Helm
3 said. If the phone call comes for the BPO and goes
4 straight to the office as opposed to the broker, my concern
5 would be that, you know, usually those people who are
6 taking floor time, floor duty, are your younger just
7 looking for leads. They don't really have an established
8 business yet. And I know I'm generalizing there. But with
9 your three-year requirement for practicing for three years,
10 what is the mechanism then? Are they then referring that
11 to another agent? It would just seem to me to go through
12 the broker record and have them put that out knowing
13 different people's workloads and abilities as opposed to
14 that interoffice, you know, what do I do with this call and
15 am I then --

16 MR. MOHN: Sure.

17 REPRESENTATIVE QUINN: -- getting a referral fee,
18 et cetera? Thanks.

19 MR. MOHN: Sure. Some of those nuances are going
20 to have to be worked out within the individual brokerages
21 on how they're going to manage those sorts of situations.
22 The bill, as written by Representative Rothman, it
23 basically states that the broker has the required oversight
24 in regards to doing all BPOs. So there are some things
25 that certainly won't be in whether either regulation or

1 statute in regards to how that brokerage operates.
2 However, the broker is ultimately responsibility for
3 signing off on each BPO that comes through their office.
4 So there will be some offices where the broker says I don't
5 want to have to take the additional valuation courses to
6 qualify for doing BPOs so it's a companywide policy that we
7 won't do BPOs. And then there will be others. But the
8 broker himself or herself takes it upon them for that
9 responsibility of implementing on how that oversight works
10 within their company.

11 REPRESENTATIVE QUINN: Thank you.

12 MAJORITY CHAIRMAN MUSTIO: Any other questions?

13 Just real quick, Mr. Mohn, just so I'm clear on
14 what you were saying to Representative Santora. You said
15 the bill as written. Now, he had started his comments
16 about the continuing education piece. I notice that the
17 Coalition of Pennsylvania Real Estate Appraisers has some
18 suggested amendments. Were you referring that you're
19 opposed to those amendments as well?

20 MR. MOHN: Right. The bill, this version of it,
21 printer's number 969.

22 MAJORITY CHAIRMAN MUSTIO: Fine. Okay.

23 MR. MOHN: Yes.

24 MAJORITY CHAIRMAN MUSTIO: Thank you.

25 MR. MOHN: Thank you.

1 MS. MCQUILKIN: Thank you.

2 MAJORITY CHAIRMAN MUSTIO: At this time I'd like
3 to call up Richard Hartman, President of the Keystone
4 Chapter of the Appraisal Institute.

5 MR. HARTMAN: Good morning, Chairman Mustio,
6 Chairman Readshaw, and the Committee Members. My name is
7 Scott Hartman, and I'm the Chairman of the Coalition of
8 Pennsylvania Real Estate Appraisers, which is the
9 legislative arm of the four chapters of the Appraisal
10 Institute in Pennsylvania.

11 The Appraisal Institute is the largest appraisal
12 organization in the world, in the United States, and in the
13 Commonwealth of Pennsylvania, and we really appreciate the
14 opportunity to testify before you today.

15 By way of introduction, the Appraisal Institute
16 and its designated members are widely accepted as the
17 developers and the guardians of what we call the body of
18 knowledge in the valuation segment of the industry. Our
19 professional designations are universally recognized as the
20 symbol of achievement and excellence by lenders, attorneys,
21 and most courts, and we are also the leading provider of
22 qualifying education and professional education in the
23 United States.

24 We're here today in the spirit of cooperation and
25 the willingness to bring the long-contested issue of broker

1 price opinions to a close. As we indicated in our
2 testimony, H.B. 863, although imperfect, represents the
3 product of some pretty intense negotiations that have taken
4 place for the three major stakeholders over the past few
5 years.

6 And in the last 10 years I think it's important
7 to recognize that the form and function of the real estate
8 market has changed dramatically, but even more so, the form
9 and function of the lending markets have changed even more
10 dramatically. The need for information on the lending side
11 has intensified, and the frequency at which the lenders
12 need that information has required shortened time frames
13 that nobody could have imagined 10 years ago.

14 So the real issue that we're trying to resolve is
15 in what context is the abbreviation valuation product known
16 as the BPO or broker price opinion prepared by a real
17 estate licensee appropriate. The Appraisal Institute
18 acknowledges that there is an appropriate place in the
19 industry for a BPO. That place resides with sophisticated
20 users, insured depository institutions, insured credit
21 unions, and relocation management companies. Those users
22 have internal staff appraisers who are experts are reading
23 and reviewing valuation products. They do it on a daily
24 and hourly basis and who are trained to identify
25 substandard workmanship.

1 Conversely, we believe that members of the public
2 and professionals without valuation expertise -- for
3 example, accountants, attorneys, trust officers, registered
4 securities agents -- should not be subjected to an
5 abbreviated product that is designed for the sophisticated
6 users inside the industry.

7 Further, where the valuation product is being
8 used in context of a controversy -- for example, a divorce,
9 an eminent domain proceeding, bankruptcy, tax matters,
10 decedent's estate, or other litigation -- we believe that
11 an appraisal must be required. I say must because
12 appraisers in our Commonwealth are bound by the Uniform
13 Standards of Professional Appraisal Practice commonly known
14 as USPAP, which require an appraiser to be independent,
15 impartial, and objective. Real estate brokers have no such
16 obligation and in fact are expected to be advocates for
17 their clients, which can create significant problems in the
18 court and legal systems.

19 With respect to 863, we have offered specific
20 amendments in our written testimony, and in just a few
21 minutes here as soon as I'm done, I'll be happy to answer
22 any questions that the Committee Members may have. In
23 addition to the technical amendments, we have substantial
24 concerns about using a bill designed to modify RELRA, or
25 the Real Estate Licensing and Registration Act, to also

1 modify the Real Estate Appraisers Certification Act and the
2 Appraisal Management Company Act, especially given the
3 overly broad language and vague language in 863 with
4 respect to those acts.

5 We have significant concerns that such an
6 approach could unnecessarily expose licensees of the Real
7 Estate Commission and the State Board of Certified
8 Appraisers to unintended violations of the law and create
9 litigation fodder. We strongly suggest that whatever
10 modifications would be made would be made with specific
11 legislation so that we would create two companion bills to
12 run with this bill as well.

13 Thank you again for providing the Appraisal
14 Institute with the opportunity to comment, and I'll now be
15 happy to answer any questions that anyone has regarding the
16 specific proposed amendments.

17 MAJORITY CHAIRMAN MUSTIO: Thank you. I've read
18 your amendments, and I guess the question I have, were
19 these amendments discussed as part of the intense
20 negotiations that got us to this point?

21 MR. HARTMAN: Yes. We had proposed this language
22 at the end of 2014 and the beginning of 2015.

23 MAJORITY CHAIRMAN MUSTIO: Okay. Thank you.
24 Representative Santora.

25 REPRESENTATIVE SANTORA: I didn't even have to

1 ask this time.

2 MAJORITY CHAIRMAN MUSTIO: I could feel it
3 coming.

4 MR. HARTMAN: His ears were burning.

5 REPRESENTATIVE SANTORA: I've got some, as you
6 probably imagine --

7 MR. HARTMAN: I suspect.

8 REPRESENTATIVE SANTORA: -- some real concerns
9 with the amendments.

10 MR. HARTMAN: Okay.

11 REPRESENTATIVE SANTORA: Basically, what you're
12 doing is taking a good bill with these amendments -- and I
13 hate to say it this way -- it's a poison pill. This bill
14 will never move with those amendments in. It's --

15 MR. HARTMAN: How so?

16 REPRESENTATIVE SANTORA: Because what you're
17 doing is you're taking the entire intent of the bill and
18 removing it all. The ability for -- you take a company, I
19 think I'm going to say like a Lending Tree, they would be
20 restricted from being able to use BPOs from professional
21 real estate companies with the language that's in your
22 bill. They don't have appraisers, a company like that.
23 They're not --

24 MR. HARTMAN: I don't understand your question.

25 REPRESENTATIVE SANTORA: What I'm saying is if

1 you --

2 MR. HARTMAN: Again, I'm more than willing to
3 answer.

4 REPRESENTATIVE SANTORA: -- look at the
5 definition of -- and I've got to find the exact wording.
6 Basically what you're doing is saying big banks can do this
7 and no other groups can use BPOs.

8 MR. HARTMAN: So your concern is the mortgage
9 brokerage community --

10 REPRESENTATIVE SANTORA: Yes.

11 MR. HARTMAN: -- couldn't be able to use that?
12 We would be willing to broaden the definition in that
13 respect. The intention that we had with our proposed
14 amendments is to make sure that we're keeping the use of
15 these inside the lending arena and/or the relocation
16 management company arena and not allowing them if you will
17 to escape out into the open marketplace, especially with
18 respect to being able to escape into the consumer world.

19 REPRESENTATIVE SANTORA: So --

20 MR. HARTMAN: So, for instance, if we have not
21 correctly defined the users, we would be more than willing
22 to discuss a different or more broad definition.

23 REPRESENTATIVE SANTORA: Okay. So give me an
24 example. Quicken Loans, I'll give you the example --

25 MR. HARTMAN: Okay.

1 REPRESENTATIVE SANTORA: -- and then you tell me.
2 They have mortgages with noninsured depositories all over
3 the country. Those loans could not go under BPO?

4 MR. HARTMAN: For what use? For origination or
5 for --

6 REPRESENTATIVE SANTORA: For --

7 MR. HARTMAN: -- portfolio monitoring, short
8 sale, those kinds of things?

9 REPRESENTATIVE SANTORA: Short sale, exactly.
10 That's what I'm --

11 MR. HARTMAN: Our intention is that they could do
12 that, and because the --

13 REPRESENTATIVE SANTORA: But that's not what --

14 MR. HARTMAN: Well, almost every loan that
15 Quicken, for example, would originate goes through Fannie,
16 Freddie, one of the Federal agencies, which then brings
17 them under this definition I would believe. If that's not
18 correct, then we would need to correct the definition.

19 REPRESENTATIVE SANTORA: No --

20 MR. HARTMAN: So the intention is not to
21 preclude --

22 REPRESENTATIVE SANTORA: -- that is not correct.

23 MR. HARTMAN: Okay. So our intention is not to
24 preclude the mortgage companies and the mortgage arena from
25 being able to use these. Our intention is to make sure we

1 keep it inside that box.

2 REPRESENTATIVE SANTORA: Okay. And for your idea
3 of splitting the bills --

4 MR. HARTMAN: Yes.

5 REPRESENTATIVE SANTORA: -- we'll be back here
6 three years doing the same thing all over again if we do
7 that. This is a good bill. It's a comprehensive bill.
8 It's all part of the same industry, same professional
9 license that it falls under. There should be no issue with
10 having to split this bill. It meets the criteria of being
11 a single subject.

12 MR. HARTMAN: Single subject.

13 REPRESENTATIVE SANTORA: It meets that. There's
14 no reason to split this up.

15 MR. HARTMAN: The concern that we have is how do
16 we know what sections of REACA, which is an acronym for the
17 Real Estate Appraisal Certification Act, how do we know
18 what sections are inconsistent? Who's going to make that
19 decision?

20 REPRESENTATIVE SANTORA: That's the --

21 MR. HARTMAN: We think that's a legislative
22 decision, not an administrative decision, so we think the
23 Legislature should define what's inconsistent. Now, if
24 what we want to do is go through and enumerate the sections
25 that are inconsistent and put them in this bill, that's

1 fine, but what we're trying not to do is get into a
2 situation where we have a licensee who thinks that Section
3 -- I'll make up a number -- Section 104 is inconsistent but
4 the State Board of Certified Appraisers says no, we don't
5 think it's inconsistent. So now we have a licensee who
6 ends up in an administrative disciplinary action because
7 they legitimately thought that the sections were
8 inconsistent.

9 REPRESENTATIVE SANTORA: All right. Again, I'm
10 not going to argue with you. I believe that the Real
11 Estate Commission and the Appraisal Board can handle that.
12 And at the same point, this is a bill that's been
13 negotiated for over three years now. It's a good bill.
14 It's very restrictive, more so than most of the 45 States
15 that already allow it, and I think it's a good bill and
16 hopefully, we'll be able to move forward on it.

17 Thank you, Chairman.

18 MAJORITY CHAIRMAN MUSTIO: Thank you. We've been
19 joined by Representatives Mentzer and McClinton.

20 Any other questions from our realtors?

21 Okay. Any other Members?

22 Thank you for your testimony.

23 MR. HARTMAN: Thank you.

24 MAJORITY CHAIRMAN MUSTIO: I'd like to ask Dean
25 Kelker representing the Real Estate Valuation Advocacy

1 Association to please come forward. Welcome.

2 MR. KELKER: Thank you. Thank you. Chairman
3 Mustio, Chairman Readshaw, and Members of the Committee, my
4 name is Dean Kelker. I'm Senior Vice President and Chief
5 Risk Officer of SingleSource Property Solutions located in
6 Canonsburg. SingleSource is a national provider of
7 services to many of the Nation's largest loan origination,
8 servicing, and secondary entities. We employ approximately
9 250 people in Pennsylvania. Our lender clients serve
10 Pennsylvania homebuyers, as well as consumers in the other
11 49 States.

12 In addition to representing the interest of
13 SingleSource Property Solutions, I'm also representing
14 REVAA, an industry trade association representing appraisal
15 management companies and others providing lender valuation
16 services such as broker price opinions and alternative
17 valuation methodology.

18 SingleSource and REVAA members are almost
19 entirely as a group licensed in Pennsylvania. I want to
20 thank you for the opportunity to share our perspective.

21 Despite the fact that this would create one of
22 the most restrictive BPO statutes in the country, we're
23 willing to support House Bill 863, as spelled out in
24 printer number 969, as originally introduced by
25 Representative Greg Rothman and other sponsors.

1 SingleSource and the members of REVAA want to
2 share our sincere appreciation for the significant time,
3 commitment, and hard work undertaken by Representative
4 Rothman, the Pennsylvania Association of Realtors, and the
5 organizations representing Pennsylvania appraisers.

6 Passage of House Bill 863 is important to
7 expanding choices in the BPO marketplace. Lifting the BPO
8 prohibition will make Pennsylvania more competitive with
9 other States in the servicing and securitization of
10 mortgage loans, and opening up this market will create new
11 employment and income opportunities for broker and real
12 estate agents.

13 It's our sincere hope to continue working with
14 all the industry stakeholders to ensure a fair and balanced
15 legislation in Pennsylvania.

16 I'd also like to address some of the points that
17 were raised earlier with respect to how BPOs are assigned
18 since we have a fairly robust BPO business nationwide. We
19 do not assign to firms blindly. Every agent or broker who
20 is approved to do BPOs for us is approved on an individual
21 basis. We score their work in terms of quality and
22 service, and when we make an assignment, that assignment
23 goes to a specific agent. It doesn't go to a phone number
24 that anybody can perform that assignment. When the
25 assignment's returned, it has to be signed and returned by

1 the person that it went to.

2 With respect to the amendments that have been
3 offered the way it has been defined would likely gut the
4 BPO business as it exists in other States. With respect to
5 our BPO client base, many of our clients are non-
6 depository, non-federally insured institutions, firms such
7 as Goldman Sachs, not federally insured, not a depository
8 institution. They use BPOs to look at securities that
9 they're thinking about buying or portfolios that they may
10 have already purchased.

11 I'm happy to take any other questions that the
12 Committee may have.

13 MAJORITY CHAIRMAN MUSTIO: Any Members have
14 questions?

15 Mr. Kelker, I want to thank you, and thank you
16 for coming in from Canonsburg. We'll take all the
17 testimony into consideration, and Representative Readshaw
18 and myself will work with staff and other Members to make
19 sure that the bill passes muster.

20 Thank you very much. And reminding Members, I
21 believe we are in session now.

22
23 (The hearing concluded at 10:07 a.m.)

1 I hereby certify that the foregoing proceedings
2 are a true and accurate transcription produced from audio
3 on the said proceedings and that this is a correct
4 transcript of the same.

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