



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 398

PRINTERS NO. 2633

PRIME SPONSOR: Stevenson

COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
Professional Licensure Augmentation Account	\$0	\$0

SUMMARY: This legislation establishes the Appraisal Management Company Registration Act. The Board's authority to promulgate temporary regulations goes into effect immediately. The remainder of the bill shall take effect 60 days after temporary regulations are promulgated or 180 days, whichever is earlier.

ANALYSIS: Requires appraisal management companies to register with the State Board of Certified Real Estate Appraisers and become subject to the Board's regulation and oversight. An "Appraisal Management Company" (AMC) is a business entity or individual that manages the performance of real estate appraisals for a client by acting as a third-party intermediary between the client seeking an appraisal and the appraiser or firm of appraisers that performs the appraisal.

Registration Requirements: AMCs that are not an "exempt company" are required to register with the State Board of Certified Real Estate Appraisers (Board) and to renew registration biennially. The registration and renewal fee is established at \$1,000. Registration also requires the AMC to post a surety bond or a letter of credit in the amount of \$20,000.

AMCs that are owned by federally regulated financial institutions are exempted from state registration pursuant to the 2010 federal Dodd-Frank Wall Street Reform and Consumer Protection Act, and under as an "exempt company." Exempt companies are not required to register with the Board but they are required to comply with the standards of practice elements that apply to all AMCs and are subject to Board enforcement.

Other Provisions of this Legislation:

- Requires all AMCs to have a system in place to ensure that all appraisals on property located in the Commonwealth are performed by certified appraisers in good standing with the Board. Requires AMCs to have a system in place to ensure appraisal reviews are performed to determine compliance with the Uniform Standards of Professional

Appraisal Practice, and that the appraisal reviews are conducted by a certified or licensed appraiser.

- Requires AMCs to identify a “compliance person” who is responsible for ensuring compliance with this act
- Requires AMCs to disclose to their client the fee paid to an appraiser separately from the other fees or charges for the management services of the AMC.
- Establishes a list of activities AMCs are prohibited from engaging in including improperly influencing the development, reporting, result or review of an appraisal.
- Provides the Board with the authority to impose disciplinary or corrective action, including civil penalty, against any person that violates the provisions of the act, the regulations or the guidelines.
- Authorizes the Board to promulgate regulations necessary to implement the act. In order to facilitate prompt implementation, the Board is authorized to promulgate temporary regulations for a period not exceeding 3 years.

FISCAL IMPACT: According to the Department of State, it is unknown as to how many Appraisal Management Companies would fall under the rules of this legislation and therefore is impossible to determine the costs which would include reviewing applications, issuing registration statements, investigations, disciplinary actions, etc. The Department feels that the \$1,000 biennial registration fee is sufficient to cover the costs of this legislation. This legislation will have no adverse impact on the General Fund.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: January 19, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.