

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 20

(Chair, Finance Committee)(By Request - Departmental -
Labor, Licensing and Regulation)

Finance

Economic Matters

**Appraisal Management Companies - Notice and Response Requirements for
Violations - Repeal of Exception**

This departmental bill establishes that an appraisal management company (AMC) must *always* provide specified notice to an appraiser and an opportunity for the appraiser to respond when the AMC removes an appraiser from its appraiser panel or otherwise refuses to assign requests for real estate appraisal services. Thus, the bill repeals the current 30-day exception for an appraiser newly added to the panel.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law/Background: An appraiser panel is a network of licensed or certified appraisers who are independent contractors to an AMC. Generally, prior to removing an appraiser from its appraiser panel or otherwise refusing to assign requests for real estate appraisal services to an appraiser, an AMC must (1) provide written notice to the appraiser; (2) identify specified actions or violations for which the AMC has a reasonable basis to believe that the appraiser has engaged; and (3) provide an opportunity for the appraiser to

respond. There is an exception from the notification and response requirements for appraisers added to an AMC's appraiser panel within the past 30 days, which is repealed by the bill.

Federal Standards for Appraisals and State Appraiser Regulatory Bodies

Title XI of the federal Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) is the legal framework controlling national uniform appraisal standards and state appraiser regulatory bodies. The Appraisal Subcommittee (ASC) was established by FIRREA and is charged with monitoring state appraiser licensing units to ensure that federal financial interests in real estate transactions are protected.

The bill conforms State law to FIRREA as amended by the Dodd-Frank Act of 2010. Title XI of FIRREA requires an AMC to give an appraiser notice of the infraction and an opportunity to respond prior to removing the appraiser from an appraiser panel, irrespective of how long the appraiser has been on the appraiser panel.

Title XI grants ASC authority to impose sanctions on a state that fails to have an effective appraiser or AMC program. To that end, DLLR advises that the bill ensures continued recognition of Maryland's appraiser and AMC programs, which could be jeopardized by a failure to comply with federal requirements. Non-recognition of a state's program disqualifies appraisers from conducting appraisals for federally insured institutions and prohibits AMCs from conducting AMC services.

Appraisal Management Companies

Chapters 269 and 270 of 2011 established various regulatory requirements pertaining to the provision of appraisal management services in the State and required AMCs to register with the State Commission of Real Estate Appraisers, AMCs, and Home Inspectors. There are approximately 150 AMCs regulated by the commission.

AMCs provide a broad range of appraisal management services in conjunction with the purchase or sale of real estate. For example, AMCs (1) administer an appraiser panel; (2) recruit, retain, or select appraisers; (3) verify licensing and certification, negotiate fees and service level expectations, and review qualifications of persons who are or wish to be part of an appraiser panel; (4) contract with appraisers to perform appraisal assignments; and (5) manage the process of having an appraisal performed, such as collecting fees for services provided and reimbursing appraisers for services performed.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - January 8, 2019
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Notice of Infraction and Opportunity to Respond – Appraisal Management Companies

BILL NUMBER: SB 20

PREPARED BY: Patricia Schott, Executive Director, Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed bill may have a very minimal economic impact on small businesses. This legislation requires appraisal management companies to notify an appraiser of why he is being removed from an appraiser panel regardless of how long he has been a member of the panel. It will also grant him an opportunity to respond. It is unclear how many appraisal management companies are small businesses.