

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1097 (Delegate Holmes, *et al.*)

Environment and Transportation

Judicial Proceedings

Task Force on Property Appraisal and Valuation Equity

This bill establishes a Task Force on Property Appraisal and Valuation Equity to be staffed by the Department of Housing and Community Development (DHCD). The task force must report its findings and recommendations to the Governor and General Assembly by October 31, 2023. **The bill takes effect June 1, 2022, and terminates June 30, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by \$200,000 in FY 2023 to conduct the required study. Any expense reimbursements for task force members are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force must address the persistent misvaluation and undervaluation of property owned by minorities by:

(1) studying strategies and actions that will:

- help ensure that governmental oversight and industry standards and practices further valuation equity;
- increase training of appraisers to combat valuation bias;

- remove barriers to entry into the appraisal profession by minorities;
- assist in the development of a model for a meaningful reconsideration of value process;
- reduce or eliminate bias related to automated valuation models and alternative property valuation methods; and

(2) identify legislative or other policy recommendations that will provide a comprehensive and coordinated approach for reducing bias in valuations, through enforcement, compliance, or other methods.

Current Law: The Maryland Commission of Real Estate Appraisers, Appraisal Management Companies and Home Inspectors was established in 1990 and licenses and regulates individuals who perform real estate appraisal services in connection with federally related transactions. As defined in the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989, this includes appraisal management companies. The commission also regulates appraisal management companies and individuals who provide appraisal or home inspection services pursuant to the Business Occupations and Professions Article.

Real estate appraisers provide estimates of the value of commercial and residential real property to their clients. Real estate appraisals are most often associated with the purchase of a home and are often shared with the buyer, seller, and broker involved in a real estate transaction. Generally, however, an appraiser's client is a mortgage lender seeking an accurate value for the home that serves as collateral in the loan transaction. Appraisal services are also used for a variety of other purposes, including estate planning and property insurance.

State Fiscal Effect: DHCD reports that the study required by the bill will involve collaboration of several state agencies to determine comparables of actual home appraisals. Based on studies with a similar scope, such as the department's recent Housing Needs Assessment, the required study may cost \$200,000 in fiscal 2023 to complete.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Housing and Community Development; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2022
fnu2/hlb Third Reader - March 25, 2022

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