

STAND. COM. REP. NO.

2301

Honolulu, Hawaii

FEB 13 2008

RE: S.B. No. 2407
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 2407 entitled:

"A BILL FOR AN ACT RELATING TO REAL ESTATE APPRAISALS,"

begs leave to report as follows:

The purpose of this measure is to ensure fairness and
integrity in the lending and real estate industries by prohibiting
licensees with an interest in a real estate transaction involving
an appraisal from improperly influencing the reporting, result, or
review of a real estate appraisal.

Testimony in support of this measure was submitted by two
private individuals. The Department of Commerce and Consumer
Affairs submitted comments.

As losses due to the subprime lending crisis continue to work
their way through the financial markets across the nation, there
is a growing trend of unfavorable practices exercised to increase
property value in order for affected individuals or entities
involved in the real estate transaction to increase their own
profits. Real estate appraisers have indicated being pressured
into appraising real estate at a value that would exceed a value
that complies with the current uniform standards of professional
appraisal practice. Your Committee finds that prohibiting
individuals with an interest in a real estate transaction from
improperly influencing the reporting, result, or review of a real
estate appraisal will assist in ensuring fairness in the real
estate and lending markets.

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The Professional and Vocational Licensing Division of the Department of Commerce and Consumer Affairs indicated to your Committee that the language in this measure referring to licensees is too broad as it would apply to licensed individuals who are not connected with real estate appraisers or appraisals. Furthermore, Department testimony indicated that amending chapter 466K, Hawaii Revised Statutes, relating to real estate appraisers would be inappropriate as the prohibition of improperly influencing real estate appraisers is not intended to regulate real estate appraisers. Lastly, it was suggested by the Department to amend the chapter relating to mortgage brokers and solicitors, and, after consultation with the Financial Institutions Commissioner, to amend the Code of Financial Institutions under chapter 412, Hawaii Revised Statutes. Your Committee recognizes that amending these chapters will not provide a full blanket protection against improper influence as there are more individuals and entities involved in a real estate transaction than mortgage brokers and financial institutions in Hawaii, but believes that this will provide more protection than what is currently afforded to real estate appraisers.

Accordingly, your Committee has amended this measure by:

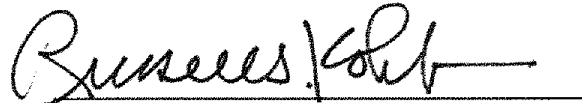
- (1) Deleting sections 1 and 2 of this measure and replacing it with language that:
 - (a) Amends chapter 412, Hawaii Revised Statutes, to prohibit financial institutions from improperly influencing a real estate appraisal, to allow exemptions, and to authorize the Financial Institutions Commissioner to enforce this new prohibition; and
 - (b) Amended chapter 454, Hawaii Revised Statutes, to prohibit mortgage brokers and solicitors from improperly influencing a real estate appraisal, to allow exemptions, and to authorize the Director of Commerce and Consumer Affairs to enforce this new prohibition;
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and style.



Your Committee believes that this measure, as amended, fulfills the intent of this measure, which is to ensure fairness and integrity in the lending and real estate industries.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2407, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2407, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Affordable
Housing,



RUSSELL S. KOKUBUN, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Commerce, Consumer Protection and Affordable Housing
CPH

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2407	CPH	2/11/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KOKUBUN, Russell S. (C)	✓			
IGE, David Y. (VC)	✓			
ESPERO, Will	✓			
IHARA, Jr., Les				✓
SAKAMOTO, Norman				✓
TANIGUCHI, BRIAN T.				✓
TRIMBLE, Gordon		✓		
TOTAL	3	1		3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>David Y. Ige</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes