

SB 653

Measure Title: RELATING TO REAL ESTATE APPRAISERS.

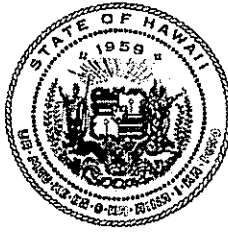
Report Title: Real Estate Appraisers

Description: Expands the scope of the current law to include the regulation of real estate appraisal management companies in order to comply with the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") and the federal rules adopted thereunder.

Companion:

Package: None

Current Referral: CPN



**TESTIMONY OF MARION M. HIGA, STATE AUDITOR,
ON SENATE BILL NO. 653, RELATING TO REAL ESTATE APPRAISERS**

Senate Committee on Commerce and Consumer Protection

February 23, 2011

Chair Baker and Members of the Committee:

Thank you for this opportunity to testify in support of Section 3 of Senate Bill No. 653, which requires the Department of Commerce and Consumer Affairs (DCCA) to report to the Legislature on the impact of expanding the regulation of real estate appraisers to include real estate appraisal management companies (AMCs), the cost of implementation, and the means of financing. We have concerns, however, that expanding the scope of Chapter 466K, Hawaii Revised Statutes (HRS), as proposed in this bill, to comply with the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) is premature because federal rules have yet to be adopted.

Section 3 of this bill conforms, in part, to the recommendations in our Report No. 10-07, *Sunrise Analysis: Real Estate Appraisal Management Companies*, which we conducted at the request of the 2009 Legislature. We found that while the regulation of AMCs is not warranted under Hawaii's strict sunrise criteria, as a result of federal law enacted in July 2010 (FIRREA, 12 U.S.C. §3331 et seq.), all states are now required, at a minimum, to register and supervise AMCs within *three years after* federal regulators promulgate rules setting minimum qualifications.

We believe it prudent to wait until such federal rules are adopted before enacting a state law to regulate AMCs, in order to avoid the need for additional conforming state legislation. We

recommend that DCCA's written analysis include language for a new bill relating to real estate appraisal management companies which would effectuate compliance with the federal mandate, instead of merely expanding the scope of Section 466K-1, HRS, by referencing the federal law, as proposed by this bill.

Finally, the bill's title should be amended, as the bill does not relate to real estate appraisers per se. The bill more appropriately relates to appraisal management companies, which engage a panel of appraisers and oversee the administrative functions involved in ordering, tracking, and delivering appraisal reports to lenders.

I would be pleased to answer any questions you may have.



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

EVERETT KANESHIGE
DEPUTY DIRECTOR

**PRESENTATION OF THE
PROFESSIONAL AND VOCATIONAL LICENSING DIVISION**

TO THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Wednesday, February 23, 2011
8:30 a.m.

**TESTIMONY ON SENATE BILL NO. 653, RELATING TO REAL ESTATE
APPRAISERS.**

TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
AND MEMBERS OF THE COMMITTEE:

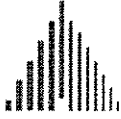
My name is Alan Taniguchi, Executive Officer for the Real Estate Appraiser Program, Professional and Vocational Licensing Division ("PVLD") of the Department of Commerce and Consumer Affairs ("Department"). Thank you for the opportunity to present testimony on Senate Bill No. 653, Relating to Real Estate Appraisers. The Department supports this bill but would like to provide some comments.

This bill expands the scope of the current law to include the regulation of appraisal management companies ("AMCs") in order to comply with the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and the federal rules adopted thereunder.

The federal Wall Street financial reform bill was signed into law in July 2010, and requires all states to register and supervise AMCs. States have 36 months after federal regulators promulgate final rules to comply with amendments to FIRREA, 12 United States Code §3331 et seq. The Department needs the final rules in order to enforce the federal law; however, as of this date, draft rules have not been published, nor have they gone through the mandatory public hearing process.

The Department would also like to point out that Section 3 of this bill is unnecessary because the regulation of AMCs is a federal mandate and any analysis of the impact is irrelevant. Additionally, the Legislative Auditor did a sunrise analysis (#10-07) last year which addressed the issues raised in Section 3.

Thank you for the opportunity to testify in support of Senate Bill No. 653 with comments.



**Appraisal
Institute™**

*Professionals Providing
Real Estate Solutions*

Hawaii Chapter

P.O. Box 2774
Honolulu, HI 96803
T 808-845-4994
F 808-847-6575
Email: bkcorp2@hawaiiantei.net
www.ai-hawaii.org

February 22, 2011

Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice-Chair
Consumer and Consumer Protection Committee
Ted Yamamura, Government Relations Chair
The Hawaii Chapter of the Appraisal Institute
(808) 270-0604
Wednesday, February 23, 2011

Testimony in Support of SB 653, Relating to Real Estate Appraisers

The Hawaii Chapter of the Appraisal Institute is part of an international organization of professional real estate appraisers with nearly 26,000 members and 91 chapters throughout the world. Its mission is to advance professionalism and ethics, global standards, methodologies, and practices through the professional development of property economics worldwide.

We support SB 653, Relating to Real Estate Appraisers and urge the Committee to adopt SB 653. Thank you for this opportunity to testify.

Ted Yamamura
Government Relations Chair