

STAND. COM. REP. NO.

1509

Honolulu, Hawaii

APR 07 2017

RE: H.B. No. 50
H.D. 3
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 50, H.D. 3, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO APPRAISAL MANAGEMENT COMPANIES,"

begs leave to report as follows:

The purpose and intent of this measure is to ensure that Hawaii homebuyers have continued access to mortgage loans by adopting federal standards regarding appraiser independence that are designed to protect the integrity of the mortgage lending process.

More specifically, this measure:

- (1) Establishes an appraisal management company registration program in the Department of Commerce and Consumer Affairs; and
- (2) Appropriates funds out of the Compliance Resolution Fund to implement the appraisal management company registration program.

Your Committee received written comments in support of this measure from the Department of Commerce and Consumer Affairs, Professional and Vocational Licensing Division; Hawaii Association



of REALTORS; REVAA - Real Estate Valuation Advocacy Association; Hawaii Financial Services Association; Hawaii Credit Union League; Hawaii Bankers Association; Mortgage Bankers Association of Hawaii; and one individual.

Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs, Regulated Industries Complaints Office.

Your Committee finds that an appraisal management company is an entity that administers networks of independent appraisers to perform real estate appraisals for lenders. An appraisal management company serves as an intermediary to ensure independence of the appraiser from the loan originator. Additionally, an appraisal management company performs essential functions in many residential real estate transactions, including maintaining a roster of qualified appraisers, coordinating appraisal completion, maintaining appraiser independence by serving as a liaison between the appraiser and the mortgage lender, and performing quality control reviews of the appraisal before sending it to the lender.

Your Committee further finds that the federal rules adopted in 2015 under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established minimum requirements for states to register appraisal management companies. While the final rules do not require a state to enact those minimum requirements, they specify that if a state fails to enact them by August 10, 2018, appraisal management companies not regulated in a manner that meets the minimum federal requirements will be barred from providing appraisal management services for federally-related real estate transactions in that state.

In response to the federal act and its rules, forty states have so far enacted legislation to regulate appraisal management companies. Not enacting similar legislation in Hawaii could cause a significant disruption to the State's mortgage market. Without such legislation, mortgage lenders would have to find new ways to process appraisals, or might choose not to provide any mortgages in the State. Ultimately, that result could increase consumer costs and limit the availability of mortgage products in Hawaii.



Accordingly, this measure establishes a regulatory structure to meet minimum federal requirements, thereby facilitating continued operation of appraisal management companies in Hawaii.

Your Committee has amended this measure by:

- (1) Changing the fiscal year of the appropriation out of the compliance resolution fund from fiscal year 2018-2019 to fiscal year 2017-2018; and
- (2) Changing the effective date for the appropriation out of the compliance resolution fund to July 1, 2050, to facilitate further discussion.

Your Committee notes that the Department of Commerce and Consumer Affairs, Professional and Vocational Licensing Division, has requested that \$140,000 be appropriated out of the compliance resolution fund for the implementation of the appraisal management company registration program.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 50, H.D. 3, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 50, H.D. 3, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



JILL N. TOKUDA, Chair



