

Honolulu, Hawaii

MAR 03 2017

RE: S.B. No. 390
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 S.B. No. 390, 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 regulate appraisal management companies.

Specifically, the measure:

- (1) Establishes an appraisal management registration program within the Department of Commerce and Consumer Affairs to conform to minimum standards established under federal law and regulations for appraisal management companies; and
- (2) Appropriates for the 2018-2019 fiscal year moneys from the general revenues of the State for certain costs related to the program.

The Department of Commerce and Consumer Affairs, Hawaii Credit Union League, Hawaii Bankers Association, Real Estate Valuation Advocacy Association, Hawaii Financial Services Association, Hawaii Association of REALTORS, and two individuals submitted written comments in support of this measure.



The Regulated Industries Complaints Office and the Division of Financial Institutions, both agencies of the Department of Commerce and Consumer Affairs, submitted written comments on this measure.

Your Committee finds that appraisal management companies are business entities that manage networks of independent appraisers who prepare appraisals on behalf of lenders. These companies are often responsible for the collateral valuation process, including appraisal review, quality control, market value dispute resolution, warranty administration, and record retention. Your Committee acknowledges that the registration of appraisal management companies is not mandatory under federal law. However, if Hawaii does not implement an appraisal management company registration scheme, lenders will need to maintain their own independent appraiser panels and ensure that appraisal orders are randomly assigned. Your Committee believes that the registration of appraisal management companies would enable lenders to continue to manage appraisers through those companies, which may ultimately result in greater choices of lenders for consumers.

Your Committee has amended this measure by:

- (1) Inserting a reference to title 12 Code of Federal Regulations, sections 1222.20, et. seq. in the findings and purpose section of the new statutory chapter established by this measure;
- (2) Expanding the definition of "appraisal management services" to include the provision of administrative services, such as receiving appraisal orders and appraisal reports;
- (3) Clarifying the definition of "appraisal review";
- (4) Deleting the definition of "appraisal review committee," a term not actually used in the measure;
- (5) Inserting language to establish that the appraisal management company registration program is subject to the real estate appraisal program;



- (6) Deleting the duty of the Director of Commerce and Consumer Affairs to appoint members to an advisory committee for the implementation of this measure;
- (7) Clarifying which persons are not required to register as an appraisal management company;
- (8) Requiring an appraisal management company to verify the competence of an appraiser receiving an assignment;
- (9) Clarifying that appraisal management company records shall be made available for inspection by the Director of Commerce and Consumer Affairs "upon request";
- (10) Inserting language that prohibits engaging in any act or practice that violates appraisal independence;
- (11) Authorizing the Director of Commerce and Consumer Affairs to issue fines or take other disciplinary actions for violations of the appraisal management company registration program, the Uniform Professional and Vocational Licensing Act, or any rule or order of the Director;
- (12) Establishing specified fees and bonding requirements;
- (13) Requiring the Director of Commerce and Consumer Affairs to collect relevant information regarding appraisal management companies and submit that information to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council;
- (14) Amending section 26H-4, Hawaii Revised Statutes, to provide for the automatic repeal of the appraisal management company registration program law on June 30, 2023, following the Auditor's evaluation of the program;
- (15) Authorizing the Department of Commerce and Consumer Affairs to employ necessary personnel without regard to the Civil Service Law to assist with the implementation and continuing functions of this measure;



- (16) Changing the means of financing for the implementation of the appraisal management company registration program from an appropriation of moneys from the general revenues of the State to an appropriation from the compliance resolution fund;
- (17) Establishing that the provisions of the measure shall be enforced to the extent they are not held to conflict with any federal law;
- (18) Establishing that if any provision of this measure is held in conflict with any federal law, this measure shall be invalid in its entirety;
- (19) Changing the effective date of the measure to July 1, 2050, to facilitate further discussion on the measure; and
- (20) Making technical nonsubstantive amendments for clarity, consistency, and style.

Your Committee wishes to stress that an appropriation for the appraisal management company registration program should be funded by moneys from the compliance resolution fund and not from the general revenues of the State.

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 S.B. No. 390, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 390, S.D. 2.

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



JILL N. TOKUDA, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 390, SD1	Committee Referral: CPH, WAM	Date: 2/24/17		
<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
TOKUDA, Jill N. (C)	✓			
DELA CRUZ, Donovan M. (VC)				✓
ENGLISH, J. Kalani				✓
GALUTERIA, Brickwood	✓			
HARIMOTO, Breene	✓			
INOUE, Lorraine R.	✓			
KAHELE, Kaiali'i				✓
RIVIERE, Gil	✓			
SHIMABUKURO, Maile S.L.	✓			
TANIGUCHI, Brian T.				✓
WAKAI, Glenn	✓			
TOTAL	7			4
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: _____				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes