



**LATE**

DAVID Y. IGE  
GOVERNOR  
SHAN S. TSUTSUI  
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  
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN  
DIRECTOR  
JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

**PRESENTATION OF THE  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

THE TWENTY-NINTH LEGISLATURE  
REGULAR SESSION OF 2017

TUESDAY, FEBRUARY 14, 2017  
2:00 p.m.

**TESTIMONY ON H.B. NO. 50, H.D. 1  
RELATING TO APPRAISAL MANAGEMENT COMPANIES**

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions of the Division of Financial Institutions ("DFI"), offering comments on H.B. No. 50, H.D. 1. Banks and mortgage loan originators are two industries under DFI licensure, examination and regulatory purview that make mortgage loans and may be impacted by this bill. Outside of DFI, the program for licensing or certification of real estate appraisers is overseen by DCCA's Professional and Vocational Licensing Division.

Appraisal management companies ("AMCs") are business entities that manage networks of independent appraisers who prepare appraisals on behalf of lenders. An AMC may also be responsible for the collateral valuation process, including appraisal

review, quality control, market value dispute resolution, warranty administration, and record retention. Although the government sponsored enterprises (“GSEs”) are exempt from the AMC laws, they each use an automated valuation model (“AVM”) to value the residential mortgage transaction<sup>1</sup>. The majority of Hawaii’s residential mortgages are sold through and to GSEs that now use an AVM. According to REVAA<sup>2</sup>, about 12% of residential mortgage transactions would be impacted by the AMC registration law.

Registration of AMCs is not mandatory under federal law. If Hawaii does not implement an AMC registration scheme, a lender would need to maintain its own independent appraiser panel and ensure that appraisal orders are randomly assigned. DFI recognizes that AMCs are used by bank and nonbank lenders that do not have a physical presence in Hawaii. Registration of AMCs would enable such lenders to continue to manage appraisers through AMC, and may result in greater choices of lenders for consumers.

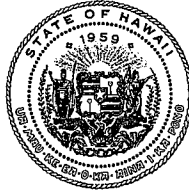
Finally, if this bill becomes law, DFI will need to add to its bank and mortgage loan originator examination procedures the determination whether the AMC is duly registered pursuant to State law. DFI would not be examining the AMC itself for the AMC's compliance with State law.

Thank you for this opportunity to provide comments on H.B. No 50, H.D. 1. I would be pleased to respond to any questions that you may have.

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<sup>1</sup> Fannie Mae, Freddie Mac, US Department of Veterans Affairs, and Federal Housing Administration use an automated appraisal risk assessment application aimed to help lenders manage appraisal quality, originate mortgages with more certainty and efficiency, and lower costs.

<sup>2</sup> Real Estate Valuation Advocacy Association



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

TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION & COMMERCE

TWENTY-NINTH LEGISLATURE  
Regular Session of 2017

Tuesday, February 14, 2017  
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 50, H.D. 1, RELATING TO APPRAISAL  
MANAGEMENT COMPANIES.**

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Celia Suzuki, Licensing Administrator of the Professional and Vocational Licensing Division ("PVLD"), Department of Commerce and Consumer Affairs ("Department"). The Department appreciates the opportunity to submit testimony in support of House Bill No. 50, H.D. 1, Relating to Appraisal Management Companies, with suggested amendments.

The purpose of House Bill No. 50, H.D. 1, is to establish an appraisal management company ("AMC") program within the Department to conform to minimum standards of the Appraisal Management Companies Final Rule and the Dodd-Frank Wall Street Reform and Consumer Protection Act. The bill establishes registration requirements, standards, and penalties for violations.

The Department has prepared a proposed H.D. 2 for the Committee's consideration. Many safeguards for the consumers of the State have been included, such as, the definitions of "appraisal management services", "appraisal review", and "uniform standards of professional appraisal practice" have been expanded to strengthen protections for the consumer. In addition, one of the amendments included clearly states that the appraiser management company shall verify that the appraiser receiving an assignment meets the competency rule of the uniform standards of professional appraisal practice. A section on violating appraiser independence has also been added to the proposed H.D. 2. Also, standard PVLD placeholder provisions have been included that is reflected in other licensing laws in PVLD and the amendments would bring this new chapter in line with those laws.

The Department views the proposed draft as a work in progress as it continues to review the applicable federal laws and rules, and consults with stakeholders.

Thank you for the opportunity to provide testimony in support of this House Bill No. 50, H.D. 1, with the Department's suggested amendments. The proposed H.D. 2 is attached.

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# A BILL FOR AN ACT

RELATING TO APPRAISAL MANAGEMENT COMPANIES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that in 2008, the  
2 nation's economy was shaken by the collapse of the sub-prime  
3 mortgage market, which threatened the country's financial  
4 system. While investigating the causes that led to this  
5 collapse, Congress determined one cause was the use of  
6 appraisals that did not conform to generally accepted standards  
7 of independence, objectivity, and impartiality. Extensive abuse  
8 was also discovered in the mortgage origination industry, with  
9 appraisers' close business relationships with lenders and the  
10 use of biased appraisals to facilitate the lending process found  
11 to be contributing factors.

12           In response, Congress enacted the Dodd-Frank Wall Street  
13 Reform and Consumer Protection Act, Pub. L. No. 111-203 (Dodd-  
14 Frank Act). The Dodd-Frank Act helped restore independence to  
15 the appraisal process by separating the lending process and  
16 appraisal functions and requiring these functions to be  
17 autonomous.

1           The legislature further finds that appraisal management  
2 companies, commonly referred to as AMCs, have proliferated as a  
3 result of the Dodd-Frank Act. One way of maintaining  
4 independence between the appraisal function and the loan  
5 origination function of an appraisal process is to have an  
6 intermediary separate from the lender that orders and receives  
7 appraisals, a function that has been fulfilled by the use of  
8 appraisal management companies.

9           Section 1473 of the Dodd-Frank Act required six federal  
10 regulatory agencies to jointly promulgate rules that establish  
11 minimum requirements to be applied by states in the registration  
12 and supervision of appraisal management companies. The  
13 appraisal management companies final rule (AMC Final Rule) was  
14 published in the Federal Register on June 9, 2015, (80 Federal  
15 Register 32657 et seq.) and became effective August 10, 2015.  
16 The AMC Final Rule outlines certain minimum registration and  
17 oversight requirements for each state to adopt. While the AMC  
18 Final Rule does not force a state to enact these minimum  
19 requirements, it specifies that if a state fails to do so by  
20 August 10, 2018, certain non-federally regulated appraisal  
21 management companies will be barred from providing appraisal

1 management services for federally related transactions in that  
2 state.

3       The legislature additionally finds that Hawaii's failure to  
4 adopt regulation of appraisal management companies that conform  
5 with the AMC Final Rule could have unintended and adverse  
6 consequences for Hawaii consumers and others involved in the  
7 residential appraisal process in the State. The legislature  
8 notes that a large source of Hawaii's funding for residential  
9 mortgages comes from outside the State, through either direct  
10 lending or secondary market investments, which frequently use  
11 appraisal management companies. Furthermore, if conforming  
12 legislation is not enacted, there is a risk that direct lending  
13 for residential mortgages from outside the State could come to a  
14 standstill, as appraisal orders could not be economically placed  
15 by mainland lenders and Hawaii is too small a market for a large  
16 lender to customize a system for the State. There is also a  
17 risk that mortgage money may not be available to all people in  
18 the State who need it. This potential restriction of available  
19 mortgage funds could make home affordability even more elusive  
20 for residents of Hawaii and could adversely impact home  
21 ownership for many families.





1 Protection Act, Pub. L. No. 111-203, and the final regulations  
2 published on June 9, 2015, at 80 Federal Register 32657 et seq.  
3 The purpose of this chapter is to establish minimum requirements  
4 for the regulation of certain non-federally regulated appraisal  
5 management companies.

6 § -2 **Definitions.** As used in this chapter unless the  
7 context otherwise requires:

8 "Affiliate" means any company that controls, is controlled  
9 by, or is under control of another company, as defined under  
10 title 12 United States Code section 1841, or any successor  
11 federal statute.

12 "AMC national registry" means the registry of state-  
13 registered appraisal management companies and federally  
14 regulated appraisal management companies maintained by the  
15 Appraisal Subcommittee.

16 "Appraisal management company" means a person that:

- 17 (1) Provides appraisal management services to creditors or  
18 secondary mortgage market participants, including  
19 affiliates;
- 20 (2) Provides appraisal management services in connection  
21 with valuing a consumer's principal dwelling as  
22 security for a consumer credit transaction or

1 incorporating these transactions into securitizations;  
2 and

3 (3) Within a twelve-month calendar year, beginning January  
4 1 of each year and ending on December 31 of each year,  
5 oversees an appraiser panel of more than fifteen  
6 state-certified or state-licensed appraisers in a  
7 state or twenty-five or more state-certified or state-  
8 licensed appraisers in two or more states, as  
9 described in section -5.

10 "Appraisal management company" does not include a department or  
11 division of an entity that provides appraisal management  
12 services only to that entity.

13 "Appraisal management services" means one or more of the  
14 following:

- 15 (1) Recruiting, selecting, and retaining appraisers;  
16 (2) Contracting with state-certified or state-licensed  
17 appraisers to perform appraisal assignments;  
18 (3) Managing the process of having an appraisal performed,  
19 including providing administrative services such as  
20 receiving appraisal orders and appraisal reports,  
21 submitting completed appraisal reports to creditors  
22 and secondary market participants; collecting fees

1 from creditors and secondary market participants for  
2 services provided; and paying appraisers for services  
3 performed; and

4 (4) Reviewing and verifying the work of appraisers.

5 "Appraiser panel" means a network, list, or roster of  
6 licensed or certified appraisers approved by an appraisal  
7 management company to perform appraisals as independent  
8 contractors for the appraisal management company. Appraisers on  
9 an appraisal management company's "appraiser panel" include:

10 (1) Appraisers accepted by the appraisal management  
11 company for consideration for future appraisal  
12 assignments in covered transactions or for secondary  
13 mortgage market participants in connection with  
14 covered transactions; and

15 (2) Appraisers engaged by the appraisal management company  
16 to perform one or more appraisals in covered  
17 transactions or for secondary mortgage market  
18 participants in connection with covered transactions.

19 For purposes of this chapter, an appraiser is an independent  
20 contractor if the appraiser is treated as an independent  
21 contractor by the appraisal management company for purposes of  
22 federal income taxation.

1 "Appraisal review" means the process of developing and  
2 communicating an opinion about the quality of another  
3 appraiser's work that was performed as part of an appraisal  
4 assignment or appraisal review assignment related to the  
5 appraiser's data collection, analysis, opinions, conclusions,  
6 estimate of value, or compliance with the Uniform Standards of  
7 Professional Appraisal Practice.

8 "Appraisal review" does not include:

- 9 (1) A general examination for grammatical, typographical,  
10 mathematical or other similar errors; or  
11 (2) A general examination for completeness, including  
12 regulatory or client requirements as specified in the  
13 agreement process, that does not communicate an  
14 opinion of value.

15 "Appraisal Subcommittee" means the Appraisal Subcommittee  
16 of the Federal Financial Institutions Examination Council  
17 created pursuant to Title XI of the federal Financial  
18 Institutions Reform, Recovery, and Enforcement Act of 1989.

19 [~~"Appraisal review committee" means the advisory committee~~  
20 ~~established pursuant to section 466K-3(6).]~~

21 "Consumer credit" means credit offered or extended to a  
22 consumer primarily for personal, family, or household purposes.

1 "Controlling person" means:

2 (1) An officer, director, or owner of greater than a ten  
3 per cent interest of a corporation, partnership, or  
4 other business entity seeking to act as an appraisal  
5 management company in the State;

6 (2) An individual employed, appointed, or authorized by an  
7 appraisal management company who has the authority to:

8 (A) Enter a contractual relationship with other  
9 persons for performance of services requiring  
10 registration as an appraisal management company;  
11 and

12 (B) Enter agreements with appraisers for the  
13 performance of appraisals; or

14 (3) An individual who possesses, directly or indirectly,  
15 the power to direct or cause the direction of the  
16 management or policies of an appraisal management  
17 company.

18 "Covered transaction" means any consumer credit transaction  
19 secured by the consumer's principal dwelling.

20 "Creditor" means a person who regularly extends consumer  
21 credit that is subject to a finance charge or is payable by  
22 written agreement in more than four installments (not including

1 a down payment) and to whom the obligation is initially payable,  
2 either on the face of the note or contract, or by agreement when  
3 there is no note or contract.

4 A person regularly extends consumer credit if:

- 5 (1) The person extended credit (other than credit subject  
6 to the requirements of title 12 Code of Federal  
7 Regulations section 1026.32) more than five times for  
8 transactions secured by a dwelling in the preceding  
9 calendar year. If a person did not meet these  
10 numerical standards in the preceding calendar year,  
11 the numerical standards shall be applied to the  
12 current calendar year; or
- 13 (2) In any twelve-month period, the person extends more  
14 than one credit extension that is subject to the  
15 requirements of title 12 Code of Federal Regulations  
16 section 1026.32 or one or more such credit extensions  
17 through a mortgage broker.

18 "Department" means the department of commerce and consumer  
19 affairs.

20 "Director" means the director of commerce and consumer  
21 affairs.

1 "Dwelling" means a residential structure that contains one  
2 to four units, whether or not that structure is attached to real  
3 property. "Dwelling" includes an individual condominium unit,  
4 cooperative unit, mobile home, and trailer, if it is used as a  
5 residence. A consumer can have only one principal dwelling at a  
6 time. A vacation or other second home is not considered a  
7 principal dwelling; provided that for purposes of this  
8 definition, if a consumer buys or builds a new dwelling that  
9 will become the consumer's principal dwelling within a year or  
10 upon the completion of construction, the new dwelling shall be  
11 considered the principal dwelling.

12 "Federally regulated appraisal management company" means an  
13 appraisal management company that is owned and controlled by an  
14 insured depository institution, as defined in title 12 United  
15 States Code section 1813, and regulated by the Office of the  
16 Comptroller of the Currency, the Board of Governors of the  
17 Federal Reserve System, or the Federal Deposit Insurance  
18 Corporation.

19 "Federally related transaction" means any real estate-  
20 related financial transaction that involves an insured  
21 depository institution regulated by the Office of the  
22 Comptroller of the Currency, Board of Governors of the Federal

1 Reserve System, Federal Deposit Insurance Corporation, or  
2 National Credit Union Administration, and that requires the  
3 services of an appraiser under the interagency appraisal rules.

4 "Person" means a natural person or an organization,  
5 including a corporation, partnership, proprietorship,  
6 association, cooperative, estate, trust, or government unit.

7 "Real estate-related financial transaction" means any  
8 transaction involving the sale, lease, purchase, investment in,  
9 or exchange of real property, including interests in property or  
10 the financing thereof, including the refinancing of real  
11 property or interests in real property and the use of real  
12 property or interests in property as security for a loan or  
13 investment, including mortgage-backed securities.

14 "Secondary mortgage market participant" means a guarantor  
15 or insurer of mortgage-backed securities or an underwriter or  
16 issuer of mortgage-backed securities. "Secondary mortgage  
17 market participant" only includes an individual investor in a  
18 mortgage-backed security if that investor also serves in the  
19 capacity of a guarantor, insurer, underwriter, or issuer for the  
20 mortgage-backed security.

21 "Uniform Standards of Professional Appraisal Practice"  
22 ~~[shall have the same meaning as in section 466K-5.]~~ means the



1 most recent iteration of the Uniform Standards of Professional  
2 Appraisal Practice developed by the appraisal standards board of  
3 The Appraisal Foundation and approved by the director.

4       §     **-3 Appraisal management company registration program.**

5 There is established an appraisal management company  
6 registration program subject to the real estate appraisal  
7 program, to be administered by the director in the director's  
8 capacity as the program administrator for both programs.

9       §     **-4 Powers and duties of the director.** In addition to  
10 any other powers and duties authorized by law, the director  
11 shall have the following powers and duties:

- 12       (1) Review and approve or deny an appraisal management  
13           company's application for initial registration;
- 14       (2) Renew or deny an appraisal management company's  
15           registration periodically;
- 16       (3) Examine the books and records of an appraisal  
17           management company operating in the State and require  
18           the appraisal management company to submit reports,  
19           information, and documents;
- 20       (4) Verify that the appraisers on the appraisal management  
21           company's appraiser panel hold valid state licenses or  
22           certifications, as applicable;

- 1 (5) Conduct investigations of appraisal management  
2 companies to assess potential violations of applicable  
3 appraisal-related laws, regulations, or orders;
- 4 (6) Discipline, suspend, terminate, or deny renewal of the  
5 registration of an appraisal management company that  
6 violates applicable appraisal-related laws,  
7 regulations, or orders;
- 8 (7) Report an appraisal management company's violation of  
9 applicable appraisal-related law, regulations, or  
10 orders, as well disciplinary and enforcement actions  
11 and other relevant information about an appraisal  
12 management company's operations, to the Appraisal  
13 Subcommittee; and
- 14 (8) Adopt, amend, and repeal rules, pursuant to chapter  
15 91, as may be necessary to establish the appraisal  
16 management company registration program and implement,  
17 administer, and enforce this chapter[; ~~and~~
- 18 ~~(9) Appoint members to an advisory committee to assist~~  
19 ~~with the implementation of this chapter.]\_.~~

20 § -5 **Appraiser panel; annual size calculation.** (a)

21 For purposes of determining whether an appraisal management  
22 meets the size requirement of an appraisal management company,

1 as that term is defined in section -2, an appraiser shall be  
2 deemed part of the appraisal management company's appraiser  
3 panel as of the earliest date on which the appraisal management  
4 company:

5 (1) Accepts the appraiser for the appraisal management  
6 company's consideration for future appraisal  
7 assignments in covered transactions or for secondary  
8 mortgage market participants in connection with  
9 covered transactions; or

10 (2) Engages the appraiser to perform one or more  
11 appraisals on behalf of a creditor for covered  
12 transactions or a secondary mortgage market  
13 participant in connection with covered transactions.

14 (b) An appraiser who is deemed part of the appraisal  
15 management company's appraiser panel pursuant to subsection (a)  
16 shall be deemed to remain on the appraiser panel until the date  
17 on which the appraisal management company:

18 (1) Sends written notice to the appraiser removing the  
19 appraiser from the appraiser panel, with an  
20 explanation of the appraisal management company's  
21 action; or

1           (2) Receives written notice from the appraiser asking to  
2           be removed from the appraiser panel or notice of the  
3           death or incapacity of the appraiser.

4           (c) If an appraiser is removed from an appraisal  
5 management company's appraiser panel pursuant to subsection (b),  
6 and the appraisal management company subsequently accepts the  
7 appraiser for consideration for future assignments or engages  
8 the appraiser at any time during the twelve months after the  
9 appraiser's removal:

10           (1) The removal shall be deemed not to have occurred; and

11           (2) The appraiser shall be deemed to have been part of the  
12 appraisal management company's appraiser panel without  
13 interruption.

14           §    -6 **Registration required.** (a) No person may  
15 directly or indirectly engage or attempt to engage in business  
16 as an appraisal management company, directly or indirectly  
17 perform or attempt to perform appraisal management services, or  
18 advertise or hold oneself out as engaging in or conducting  
19 business as an appraisal management company without first being  
20 registered pursuant to this chapter.

21           (b) An appraisal management company shall:

- 1           (1) Register with the real estate appraiser program  
2                   administered by the department pursuant to Chapter  
3                   466K, Hawaii Revised Statutes;
- 4           (2) Engage only state-licensed or state-certified  
5                   appraisers for federally related transactions in  
6                   conformity with any federally related transaction  
7                   regulations;
- 8           (3) Establish and comply with processes and controls  
9                   reasonably designed to ensure that the appraisal  
10                  management company, in engaging an appraiser, selects  
11                  an appraiser who is independent of the transaction and  
12                  has the requisite education, expertise, and experience  
13                  necessary to competently complete the appraisal  
14                  assignment for the particular market and property  
15                  type;
- 16          (4) Direct an appraiser to perform the assignment in  
17                  accordance with the Uniform Standards of Professional  
18                  Appraisal Practice; and
- 19          (5) Establish and comply with processes and controls  
20                  reasonably designed to ensure that the appraisal  
21                  management company conducts its appraisal management  
22                  services in accordance with the requirements of

1 section 129E(a) through 129E(i) of the Truth in  
2 Lending Act, title 15 United States Code sections  
3 1639e(a) through 1639e(i), and regulations adopted  
4 thereunder.

5 (c) This section shall not apply to ~~[appraisal management~~  
6 ~~companies that are owned and controlled by an insured depository~~  
7 ~~institution and regulated by the Consumer Financial Protection~~  
8 ~~Bureau, the Federal Housing Finance Agency, the Board of~~  
9 ~~Governors of the Federal Reserve System, the Federal Deposit~~  
10 ~~Insurance Corporation, or the National Credit Union~~  
11 ~~Administration.]~~ :

- 12 (1) A person that exclusively employs appraisers on an  
13 employer and employee basis for the performance of  
14 appraisals in this state;
- 15 (2) A federally regulated appraisal management company;
- 16 (3) A department or unit within a financial institution that  
17 is subject to direct regulation by an agency of the United  
18 States government that is a member of the federal  
19 financial institutions examination council or its  
20 successor, or to regulation by an agency of this state,  
21 that receives a request for the performance of an  
22 appraisal from one employee of the financial

1 institution, and another employee of the same financial  
2 institution assigns the request for the appraisal to an  
3 appraiser that is an independent contractor to the  
4 institution, except that an AMC that is a wholly owned  
5 subsidiary of a financial institution shall not be  
6 considered a department or unit within a financial  
7 institution to which the provisions of this act do not  
8 apply; and

9 (4) An appraiser who enters into an agreement with another  
10 appraiser for the performance of an appraisal that upon  
11 completion results in a report signed by both the  
12 appraiser who completed the appraisal and the appraiser  
13 who requested the completion of the appraisal.

14 (d) Any person, who engages in an activity requiring  
15 registration as an appraisal management company issued by the  
16 director and who fails to obtain the required registration, or  
17 who uses any work, title, or representation to induce the false  
18 belief that the person is registered to engage in said activity,  
19 shall be guilty of a misdemeanor and shall be subject to a fine  
20 of not more than \$1,000 or imprisoned not more than one year,  
21 or both, and each day of violation shall be deemed a separate  
22 offense.

1       (e) The director may maintain a suit to enjoin the  
2 performance or the continuance of any act or acts by a person  
3 acting without a registration where a registration is required  
4 by law, and if injured thereby, for the recovery of damages.

5       §   **-7 Registration process.** An applicant for  
6 registration under this chapter shall file an  
7 application for registration with the director on a  
8 form prescribed by the director and pay a fee  
9 established by the director. The form shall require  
10 any information necessary to determine eligibility for  
11 registration.

12       §   **-8 Criminal history record checks.** (a) The  
13 application submitted pursuant to section       -7 shall contain  
14 the information and authorizations necessary to conduct a  
15 criminal history record check in accordance with section 846-2.7  
16 for:

- 17       (1) Each person applying for registration who owns more  
18 than ten per cent of an appraisal management company;  
19 and  
20       (2) Each of the applicant's controlling persons.



1 (b) The information and authorizations shall be  
2 accompanied by the appropriate payment of the applicable fee for  
3 each record check.

4 § -9 **Appraisal management company registration numbers.**

5 (a) The director shall issue a unique registration number to  
6 each appraisal management company registered in this State.

7 (b) The director shall maintain a list of the appraisal  
8 management companies that are registered with the director.

9 (c) An appraisal management company registered in this  
10 State shall place its registration number on engagement  
11 documents utilized by the appraisal management company to  
12 procure appraisal services in this State.

13 § -10 **Expiration of registration.** Registrations shall  
14 expire on December 31 of each odd-numbered year. The expiration  
15 date of the registration shall appear on the appraisal  
16 management company registration certificate issued to the  
17 registrant, and no other notice of its expiration need be given  
18 to the registrant.

19 § -11 **Compliance with the Uniform Standards of**  
20 **Professional Appraisal Practice.** As a condition of registration  
21 or renewal of registration, each appraisal management company in  
22 the State shall certify that the company requires appraisers

1 completing appraisals at the company's request to comply with  
2 the Uniform Standards of Professional Appraisal Practice.

3       §     -12   **Consent to service of process.**  An applicant for  
4 registration under this chapter that is not domiciled in the  
5 State shall complete an irrevocable consent to service of  
6 process, in a form approved by the attorney general.

7       §     -13   **Reporting requirements; non-federally regulated**  
8 **appraisal management companies.**  The director shall collect from  
9 each appraisal management company registered or seeking  
10 registration in the State all information and fees required by  
11 the Appraisal Subcommittee to be submitted to the Appraisal  
12 Subcommittee by the State, pursuant to regulations or guidance  
13 promulgated by the Appraisal Subcommittee.

14       §     -14   **Reporting requirements; federally regulated**  
15 **appraisal management companies; reporting information for**  
16 **appraisal management companies.**  A federally regulated appraisal  
17 management company operating in the State shall report to the  
18 director the information required to be submitted by the State  
19 to the Appraisal Subcommittee, pursuant to the Appraisal  
20 Subcommittee's policies regarding the determination of the AMC  
21 national registry fee.  These reporting requirements shall  
22 include:

- 1 (1) A notice of intent to operate in the State;
- 2 (2) Information related to whether the appraisal  
3 management company is owned in whole or in part,  
4 directly or indirectly, by any person who has had an  
5 appraiser license or certification refused, denied,  
6 canceled, surrender in lieu of revocation, or revoked  
7 in any state for a substantive cause, as determined by  
8 the Appraisal Subcommittee; and
- 9 (3) If a person has had such action taken on the person's  
10 appraisal license or certification, the director shall  
11 collect information related to whether the license or  
12 certification was revoked for a substantive cause and  
13 if the license or certification has been reinstated by  
14 the state or states in which the appraiser was  
15 licensed or certified.

16 § -15 **Owner requirements.** (a) An appraisal management  
17 company applying for, holding, or renewing a registration under  
18 this chapter shall not be owned, in whole or in part, directly  
19 or indirectly, by any person who has had an appraiser license or  
20 certification refused, denied, canceled, surrendered in lieu of  
21 revocation, or revoked in any state for a substantive cause, as  
22 determined by the appropriate state appraiser certifying and

1 licensing agency; provided that an appraisal management company  
2 may be registered under this chapter if the license or  
3 certification of the appraiser with an ownership interest was  
4 not revoked for a substantive cause and the license or  
5 certification has been reinstated by the state in which the  
6 appraiser was licensed or certified.

7 (b) Each person that owns more than ten per cent of an  
8 appraisal management company and applies for, holds, or renews a  
9 registration under this chapter shall:

10 (1) Be of good moral character; and

11 (2) Submit to a criminal history record check pursuant to  
12 section -8.

13 § -16 **Controlling person.** An appraisal management  
14 company applying for registration or renewal of registration in  
15 the State shall designate one controlling person to serve as the  
16 main contact for all communication between the department and  
17 the company. The controlling person shall:

18 (1) Remain in good standing in the State and in any other  
19 state that has at any time issued the controlling  
20 person an appraiser license or certification; provided  
21 that nothing in this chapter shall require that a  
22 designated controlling person hold or continue to hold

1 an appraiser license or certification in any  
2 jurisdiction;

3 (2) Never have had an appraiser license or certification  
4 in this State or any other state refused, denied,  
5 canceled, revoked, or surrendered in lieu of a pending  
6 disciplinary proceeding in any jurisdiction and not  
7 subsequently reinstated or granted;

8 (3) Be of good moral character; and

9 (4) Submit to a criminal history record check pursuant to  
10 section -8.

11 § -17 **Appraiser engagement.** Before or at the time of  
12 placing an assignment to appraise real property in the State  
13 with an appraiser on the appraiser panel of an appraisal  
14 management company, the appraisal management company shall  
15 verify that the appraiser receiving the assignment holds an  
16 appraiser license or certification in good standing in this  
17 State[-] and verify that the appraiser receiving the assignment  
18 meets the competency rule of the uniform standards of professional  
19 appraisal practice. An attestation provided by an appraiser that  
20 such appraiser is geographically competent within the appraiser's  
21 scope of practice will satisfy an appraisal management company's  
22 responsibility under this section.

1           §     **-18 Appraisal review.** Any employee of or independent  
2 contractor to an appraisal management company who performs an  
3 appraisal review for a property located in this State shall be a  
4 licensed or certified appraiser in good standing in the State  
5 and any other jurisdiction in which the appraiser is licensed or  
6 certified.

7           §     **-19 Verification of licensure or certification.** (a)  
8 An appraisal management company registered in the State may not  
9 enter any contract or agreement with an appraiser for the  
10 performance of appraisals in the State unless the company  
11 verifies that the appraiser is licensed or certified in good  
12 standing in the State.

13           (b) An appraisal management company seeking registration  
14 or renewal of registration in the State shall certify that the  
15 company has a system and process in place to verify that an  
16 individual added to the appraiser panel of the company for  
17 appraisal services holds an appraiser license or certification  
18 in good standing in this State.

19           §     **-20 Fee disclosure.** An appraisal management company  
20 registered in the State shall not prohibit an independent  
21 appraiser who is part of the appraiser panel from recording the  
22 fee that the appraiser was paid by the appraisal management

1 company for the performance of an appraisal within the  
2 communication of the appraisal.

3 § -21 **Retention of records.** (a) Each appraisal  
4 management company seeking registration or renewal of  
5 registration in the State shall certify that the appraisal  
6 management company maintains a detailed record of each service  
7 request the company receives for appraisals of real property  
8 located in the State.

9 (b) An appraisal management company registered in the  
10 State shall retain all records required to be maintained under  
11 this chapter for at least five years after the file is submitted  
12 to the appraisal management company or at least two years after  
13 final disposition of any related judicial proceeding of which  
14 the appraisal management company is provided notice, whichever  
15 period expires last.

16 (c) All records required to be maintained pursuant to this  
17 section shall be made available for inspection by the director,  
18 [~~upon reasonable notice given to the appraisal management~~  
19 ~~company.] upon request.~~

20 § -22 **Payments to appraisers.** (a) An appraisal  
21 management company shall, except in bona fide cases of breach of  
22 contract or substandard performance of services, make payment to

1 an independent appraiser for the completion of an appraisal or  
2 valuation assignment within forty-five days of the date on which  
3 the appraiser transmits or otherwise provides the completed  
4 appraisal or valuation assignment to the appraisal management  
5 company or the company's assignee, unless a mutually agreed-upon  
6 alternate arrangement has been previously established.

7 (b) An appraisal management company seeking registration  
8 or renewal of registration shall certify that the company will  
9 require appraisals to be conducted independently, as required by  
10 the appraisal independence standards under section 129E of the  
11 Truth in Lending Act, title 15 United States Code section 1639e,  
12 including the requirement that a customary and reasonable fee be  
13 paid to an independent appraiser who completes an appraisal in  
14 connection with a consumer credit transaction secured by the  
15 principal dwelling.

16 § -23 Appraiser independence. (a) It shall be a  
17 violation of this chapter for any employee, director, officer or  
18 agent of an appraisal management company registered in this state  
19 to engage in any act or practice that violates appraisal  
20 independence as described in or pursuant to the provisions of this  
21 chapter.



1           (b) For purposes of subsection (a) of this section, acts  
2 or practices that violate appraisal independence shall include:

3           (1) Any appraisal of a property offered as security for  
4 repayment of the consumer credit transaction that is  
5 conducted in connection with such transaction in which a  
6 person with an interest in the underlying transaction  
7 compensates, coerces, extorts, colludes, instructs,  
8 induces, bribes or intimidates a person, appraisal  
9 management company, firm or other entity conducting or  
10 involved in an appraisal, or attempts to compensate,  
11 coerce, extort, collude, instruct, induce, bribe, or  
12 intimidate such a person, for the purpose of causing the  
13 appraisal value assigned, under the appraisal, to the  
14 property to be based on any fact or other than the  
15 independent judgment of the appraiser;

16           (2) Mischaracterizing, or suborning any  
17 mischaracterization of, the appraised value of the  
18 property securing the extension of credit;

19           (3) Seeking to influence an appraiser or otherwise to  
20 encourage a targeted value in order to facilitate the  
21 making or pricing of the transaction; and

1           (4) Withholding or threatening to withhold timely payment  
2           for an appraisal report or for appraisal services  
3           rendered when the appraisal report or services are  
4           provided for in accordance with the contract between the  
5           parties.

6           (c) The requirements of subsections (a) and (b) of this  
7           section shall not be construed as prohibiting an appraisal  
8           management company, employee of an appraisal management company,  
9           consumer or any other person with an interest in a real estate  
10           transaction from asking an appraiser to undertake one or more of  
11           the following:

12           (1) Consider additional appropriate property  
13           information, including the consideration of additional  
14           comparable properties to make or support an appraisal;

15           (2) Provide further detail, substantiation or explanation  
16           for the appraiser's consideration in the value conclusion;

17           (3) Correct objective errors in the appraisal report.

18           (d) Any appraisal management company, employee of an appraisal  
19           management company or any other person involved in a real estate  
20           transaction involving an appraisal in connection with a consumer  
21           credit transaction who has a reasonable basis to believe an  
22           appraiser is failing to comply with the uniform standards of

1 professional appraisal practice, is violating applicable laws, or  
2 is otherwise engaging in unethical or unprofessional conduct,  
3 shall refer the matter to the board.

4 (e) Every appraisal management company shall establish and  
5 comply with processes and controls reasonably designed to ensure  
6 that the appraisal management company, in engaging an appraiser,  
7 selects an appraiser who is independent of the transaction and  
8 who has the requisite education, expertise and experience  
9 necessary to competently complete the appraisal assignment for the  
10 particular market and property type. Every appraisal management  
11 company shall establish and comply with processes and controls  
12 reasonably designed to ensure that the appraisal management  
13 company conducts its appraisal management services in accordance  
14 with the requirements of 15 U.S.C. 1639e (a) through (i), and  
15 regulations thereunder.

16 § ~~23~~24 **Mandatory reporting of violations.** An  
17 appraisal management company that has a reasonable basis to  
18 believe an appraiser has materially failed to comply with  
19 applicable laws or rules or has materially violated the Uniform  
20 Standards of Professional Appraisal Practice shall refer the  
21 matter to the director in conformance with applicable federal  
22 laws and regulations.

1           §    -~~[24]~~25 **Prohibited conduct.**   (a) A violation of this  
2 section may constitute grounds for discipline against an  
3 appraisal management company registered in this State; provided  
4 that nothing in this chapter shall prevent an appraisal  
5 management company from requesting an appraiser to provide  
6 additional information about the basis for a valuation, correct  
7 objective factual errors in an appraisal report, or consider  
8 additional appropriate property information.

9           (b) No employee, director, officer, agent, independent  
10 contractor, or other third party acting on behalf of an  
11 appraisal management company shall:

12           (1) Procure or attempt to procure a registration or  
13 renewal by knowingly making a false statement,  
14 submitting false information, or refusing to provide  
15 complete information in response to a question in an  
16 application for registration or renewal;

17           (2) Wilfully violate this chapter or rules adopted by the  
18 director pursuant to this chapter;

19           (3) Improperly influence or attempt to improperly  
20 influence the development, reporting, result, or  
21 review of an appraisal through intimidation, coercion,

1 extortion, bribery, or any other manner, including but  
2 not limited to:

3 (A) Withholding payment for appraisal services;

4 (B) Threatening to exclude an appraiser from future  
5 work or threatening to demote or terminate the  
6 appraiser in order to improperly obtain a desired  
7 result;

8 (C) Conditioning payment of an appraisal fee upon the  
9 opinion, conclusion, or valuation to be reached;  
10 or

11 (D) Requesting that an appraiser report a  
12 predetermined opinion, conclusion, or valuation  
13 or the desired valuation of any person or entity;

14 (4) Alter, amend, or change an appraisal report submitted  
15 by an appraiser without the appraiser's knowledge and  
16 written consent;

17 (5) Except within the first ninety days after an  
18 independent appraiser is added to an appraiser panel,  
19 remove an independent appraiser from an appraiser  
20 panel without prior written notice to the appraiser;  
21 provided that the prior written notice shall include  
22 the following evidence, if applicable:

- 1 (A) The appraiser's illegal conduct;
- 2 (B) A violation of the Uniform Standards of  
3 Professional Appraisal Practice, this chapter, or  
4 rules adopted pursuant to this chapter;
- 5 (C) Improper or unprofessional conduct; or
- 6 (D) Substandard performance or other substantive  
7 deficiencies;
- 8 (6) Require an appraiser to sign any indemnification  
9 agreement that would require the appraiser to defend  
10 and hold harmless the appraisal management company or  
11 any of its agents or employees for any liability,  
12 damage, losses, or claims arising out of the services  
13 performed by the appraisal management company or its  
14 agents, employees, or independent contractors, and not  
15 the services performed by the appraiser;
- 16 (7) Prohibit lawful communications between the appraiser  
17 and any other person who the appraiser, in the  
18 appraiser's professional judgment, believes possesses  
19 information that would be relevant;
- 20 (8) Engage in any other act or practice that impairs or  
21 attempts to impair a real estate appraiser's  
22 independence, objectivity, and impartiality;

- 1           (9) Fail to timely respond to any subpoena or other  
2           request for information;
- 3           (10) Fail to timely obey an administrative order of the  
4           director or department; or
- 5           (11) Fail to [~~fully~~] cooperate in any investigation.

6           §    -~~[25]~~26 **Disciplinary proceedings.** The director may  
7 deny, suspend, or revoke the registration of an appraisal  
8 management company; impose a monetary penalty of an amount not  
9 to exceed \$5,000 per violation; issue a letter of reprimand;  
10 refuse to issue or renew the registration of an appraisal  
11 management company; or take other disciplinary action against an  
12 appraisal management company for any one or more of the  
13 following acts or conditions:

- 14           (1) The applicant is not of a good moral character;
- 15           (2) The applicant has had a registration revoked or  
16           suspended for cause, or surrendered in lieu of  
17           disciplinary proceedings;
- 18           (3) An applicant for renewal of registration would not be  
19           eligible for such registration on a first application;
- 20           (4) The issuance of a registration would result in a  
21           violation of this chapter or any rules adopted  
22           pursuant to this chapter;

- 1           (5) In the conduct of affairs under the registration, the  
2           registrant demonstrated incompetency,  
3           untrustworthiness, or conduct or practices rendering  
4           the registrant unfit to carry on appraisal management  
5           services; made continuance in the business detrimental  
6           to the public interest; or is no longer in good faith  
7           carrying on appraisal management services, and for  
8           this conduct is found by the director to be a source  
9           of detriment, injury, or loss to the public;
- 10          (6) The appraisal management company committed any act in  
11          violation of this chapter;
- 12          (7) The appraisal management company violated any rule  
13          adopted by the department in the interest of the  
14          public and consistent with this chapter; ~~or~~
- 15          (8) The appraisal management company procured a  
16          registration or renewal of registration for the  
17          appraisal management company or intentionally  
18          committed any other act by fraud, misrepresentation,  
19          or deceit ~~[-]~~ or
- 20          (9) Violation of this chapter, chapter 436B, or any rule or  
21          order of the director.



1           §     -[26]27 Fees; bonds. (a) The director may charge  
2 the appraisal management company reasonable fees to offset costs  
3 of operating the appraisal management company registration  
4 program established pursuant to this chapter. The following  
5 fees shall apply: Non-refundable application fee = \$100;  
6 biennial registration fee = \$5,000; biennial CRF fee = \$500. In  
7 addition, upon the issuance of a new registration and at each  
8 renewal period, each appraisal management company shall pay a  
9 special assessment fee of \$390 that shall be deposited into the  
10 compliance resolution fund established pursuant to section  
11 26-9(o). Fees assessed pursuant to this chapter shall be used to  
12 defray costs incurred by the department in implementing this  
13 chapter.

14           (b) Pursuant to section 26-9(1), the director shall  
15 establish other fees relating to the administration of this  
16 chapter by rule.

17           (c) The director may require a surety bond of not more  
18 than \$25,000.

19           §     -28 Federal registry requirements. (a) The  
20 director shall collect from each appraisal management company  
21 registered or seeking to be registered in this state the information  
22 that the Appraisal Subcommittee requires to be submitted to it by

1 the state pursuant to regulations or guidance promulgated by the  
2 Appraisal Subcommittee.

3 (b) A federally regulated appraisal management company  
4 operating in this state shall report to the director the  
5 information required to be submitted by the state to the Appraisal  
6 Subcommittee, pursuant to the Appraisal Subcommittee's policies  
7 regarding the determination of the appraisal management company  
8 national registry fee. These reports shall include:

9 (1) A report to the director of the intent of the  
10 federally regulated appraisal management company to  
11 operate in this state;

12 (2) Information related to whether the appraisal  
13 management company is owned in whole or in part,  
14 directly or indirectly, by any person who has had an  
15 appraiser license or certificate refused, denied,  
16 canceled, surrendered in lieu of revocation, or  
17 revoked in any state for a substantive cause, as  
18 determined by the Appraisal Subcommittee; and

19 (3) If such person or persons has had such action taken  
20 on their appraisal license, the director shall  
21 collect information related to whether the license  
22 was revoked for a substantive cause and if it has

1                   been reinstated by the state or states in which the  
2                   appraiser was licensed.

3           §     -~~[27]~~29 **Exemption.** This chapter shall not apply to  
4 an appraiser who enters an agreement with another appraiser for  
5 the performance of an appraisal that, upon completion, results  
6 in a report signed by the appraiser who completed the appraisal  
7 and the appraiser who requested completion of the appraisal."

8           SECTION 3. Section 846-2.7, Hawaii Revised Statutes, is  
9 amended by amending subsection (b) to read as follows:

10           "(b) Criminal history record checks may be conducted by:

11           (1) The department of health or its designee on operators  
12           of adult foster homes for individuals with  
13           developmental disabilities or developmental  
14           disabilities domiciliary homes and their employees, as  
15           provided by section 321-15.2;

16           (2) The department of health or its designee on  
17           prospective employees, persons seeking to serve as  
18           providers, or subcontractors in positions that place  
19           them in direct contact with clients when providing  
20           non-witnessed direct mental health or health care  
21           services as provided by section 321-171.5;

- 1           (3) The department of health or its designee on all  
2           applicants for licensure or certification for,  
3           operators for, prospective employees, adult  
4           volunteers, and all adults, except adults in care, at  
5           healthcare facilities as defined in section 321-15.2;
- 6           (4) The department of education on employees, prospective  
7           employees, and teacher trainees in any public school  
8           in positions that necessitate close proximity to  
9           children as provided by section 302A-601.5;
- 10          (5) The counties on employees and prospective employees  
11          who may be in positions that place them in close  
12          proximity to children in recreation or child care  
13          programs and services;
- 14          (6) The county liquor commissions on applicants for liquor  
15          licenses as provided by section 281-53.5;
- 16          (7) The county liquor commissions on employees and  
17          prospective employees involved in liquor  
18          administration, law enforcement, and liquor control  
19          investigations;
- 20          (8) The department of human services on operators and  
21          employees of child caring institutions, child placing

1 organizations, and foster boarding homes as provided  
2 by section 346-17;

3 (9) The department of human services on prospective  
4 adoptive parents as established under section  
5 346-19.7;

6 (10) The department of human services or its designee on  
7 applicants to operate child care facilities, household  
8 members of the applicant, prospective employees of the  
9 applicant, and new employees and household members of  
10 the provider after registration or licensure as  
11 provided by section 346-154, and persons subject to  
12 section 346-152.5;

13 (11) The department of human services on persons exempt  
14 pursuant to section 346-152 to be eligible to provide  
15 child care and receive child care subsidies as  
16 provided by section 346-152.5;

17 (12) The department of health on operators and employees of  
18 home and community-based case management agencies and  
19 operators and other adults, except for adults in care,  
20 residing in community care foster family homes as  
21 provided by section 321-15.2;

- 1           (13) The department of human services on staff members of  
2           the Hawaii youth correctional facility as provided by  
3           section 352-5.5;
- 4           (14) The department of human services on employees,  
5           prospective employees, and volunteers of contracted  
6           providers and subcontractors in positions that place  
7           them in close proximity to youth when providing  
8           services on behalf of the office or the Hawaii youth  
9           correctional facility as provided by section 352D-4.3;
- 10          (15) The judiciary on employees and applicants at detention  
11          and shelter facilities as provided by section 571-34;
- 12          (16) The department of public safety on employees and  
13          prospective employees who are directly involved with  
14          the treatment and care of persons committed to a  
15          correctional facility or who possess police powers  
16          including the power of arrest as provided by section  
17          353C-5;
- 18          (17) The board of private detectives and guards on  
19          applicants for private detective or private guard  
20          licensure as provided by section 463-9;
- 21          (18) Private schools and designated organizations on  
22          employees and prospective employees who may be in

1 positions that necessitate close proximity to  
2 children; provided that private schools and designated  
3 organizations receive only indications of the states  
4 from which the national criminal history record  
5 information was provided pursuant to section 302C-1;

6 (19) The public library system on employees and prospective  
7 employees whose positions place them in close  
8 proximity to children as provided by section  
9 302A-601.5;

10 (20) The State or any of its branches, political  
11 subdivisions, or agencies on applicants and employees  
12 holding a position that has the same type of contact  
13 with children, vulnerable adults, or persons committed  
14 to a correctional facility as other public employees  
15 who hold positions that are authorized by law to  
16 require criminal history record checks as a condition  
17 of employment as provided by section 78-2.7;

18 (21) The department of health on licensed adult day care  
19 center operators, employees, new employees,  
20 subcontracted service providers and their employees,  
21 and adult volunteers as provided by section 321-15.2;

1       (22) The department of human services on purchase of  
2           service contracted and subcontracted service providers  
3           and their employees serving clients of the adult  
4           protective and community services branch, as provided  
5           by section 346-97;

6       (23) The department of human services on foster grandparent  
7           program, senior companion program, and respite  
8           companion program participants as provided by section  
9           346-97;

10       (24) The department of human services on contracted and  
11           subcontracted service providers and their current and  
12           prospective employees that provide home and community-  
13           based services under section 1915(c) of the Social  
14           Security Act, title 42 United States Code section  
15           1396n(c), or under any other applicable section or  
16           sections of the Social Security Act for the purposes  
17           of providing home and community-based services, as  
18           provided by section 346-97;

19       (25) The department of commerce and consumer affairs on  
20           proposed directors and executive officers of a bank,  
21           savings bank, savings and loan association, trust



1           company, and depository financial services loan  
2           company as provided by section 412:3-201;

3           (26) The department of commerce and consumer affairs on  
4           proposed directors and executive officers of a  
5           nondepository financial services loan company as  
6           provided by section 412:3-301;

7           (27) The department of commerce and consumer affairs on the  
8           original chartering applicants and proposed executive  
9           officers of a credit union as provided by section  
10          412:10-103;

11          (28) The department of commerce and consumer affairs on:

12           (A) Each principal of every non-corporate applicant  
13           for a money transmitter license;

14           (B) The executive officers, key shareholders, and  
15           managers in charge of a money transmitter's  
16           activities of every corporate applicant for a  
17           money transmitter license; and

18           (C) The persons who are to assume control of a money  
19           transmitter licensee in connection with an  
20           application requesting approval of a proposed  
21           change in control of licensee,

22          as provided by sections 489D-9 and 489D-15;

- 1           (29) The department of commerce and consumer affairs on  
2                    applicants for licensure and persons licensed under  
3                    title 24;
- 4           (30) The Hawaii health systems corporation on:  
5                    (A) Employees;  
6                    (B) Applicants seeking employment;  
7                    (C) Current or prospective members of the corporation  
8                    board or regional system board; or  
9                    (D) Current or prospective volunteers, providers, or  
10                    contractors,  
11                    in any of the corporation's health facilities as  
12                    provided by section 323F-5.5;
- 13          (31) The department of commerce and consumer affairs on:  
14                    (A) An applicant for a mortgage loan originator  
15                    license; and  
16                    (B) Each control person, executive officer, director,  
17                    general partner, and manager of an applicant for  
18                    a mortgage loan originator company license,  
19                    as provided by chapter 454F;
- 20          (32) The state public charter school commission or public  
21                    charter schools on employees, teacher trainees,  
22                    prospective employees, and prospective teacher

1 trainees in any public charter school for any position  
2 that places them in close proximity to children, as  
3 provided in section 302D-33;

4 (33) The counties on prospective employees who work with  
5 children, vulnerable adults, or senior citizens in  
6 community-based programs;

7 (34) The counties on prospective employees for fire  
8 department positions which involve contact with  
9 children or vulnerable adults;

10 (35) The counties on prospective employees for emergency  
11 medical services positions which involve contact with  
12 children or vulnerable adults;

13 (36) The counties on prospective employees for emergency  
14 management positions and community volunteers whose  
15 responsibilities involve planning and executing  
16 homeland security measures including viewing,  
17 handling, and engaging in law enforcement or  
18 classified meetings and assisting vulnerable citizens  
19 during emergencies or crises;

20 (37) The State and counties on employees, prospective  
21 employees, volunteers, and contractors whose position  
22 responsibilities require unescorted access to secured

1 areas and equipment related to a traffic management  
2 center;

3 (38) The State and counties on employees and prospective  
4 employees whose positions involve the handling or use  
5 of firearms for other than law enforcement purposes;

6 (39) The State and counties on current and prospective  
7 systems analysts and others involved in an agency's  
8 information technology operation whose position  
9 responsibilities provide them with access to  
10 proprietary, confidential, or sensitive information;

11 (40) The department of commerce and consumer affairs on  
12 [~~applicants~~]:

13 (A) Applicants for real estate appraiser licensure or  
14 certification as provided by chapter 466K;

15 (B) Each person who owns more than ten per cent of an  
16 appraisal management company who is applying for  
17 registration as an appraisal management company,  
18 as provided by section -8; and

19 (C) Each of the controlling persons of an applicant  
20 for registration as an appraisal management  
21 company, as provided by section -8;

1           (41) The department of health or its designee on all  
2           license applicants, licensees, employees, contractors,  
3           and prospective employees of medical marijuana  
4           dispensaries, and individuals permitted to enter and  
5           remain in medical marijuana dispensary facilities as  
6           provided under sections 329D-15(a)(4) and  
7           329D-16(a)(3);

8           (42) The department of commerce and consumer affairs on  
9           applicants for nurse licensure or license renewal,  
10          reactivation, or restoration as provided by sections  
11          457-7, 457-8, 457-8.5, and 457-9;

12        [+] (43) [+] The county police departments on applicants for  
13          permits to acquire firearms pursuant to section 134-2  
14          and on individuals registering their firearms pursuant  
15          to section 134-3;

16        [+] (44) [+] The department of commerce and consumer affairs on:  
17          (A) Each of the controlling persons of the applicant  
18               for licensure as an escrow depository, and each  
19               of the officers, directors, and principals who  
20               will be in charge of the escrow depository's  
21               activities upon licensure; and

1 (B) Each of the controlling persons of an applicant  
2 for proposed change in control of an escrow  
3 depository licensee, and each of the officers,  
4 directors, and principals who will be in charge  
5 of the licensee's activities upon approval of  
6 such application,

7 as provided by chapter 449; [~~and~~]

8 ~~[(45)] The department of commerce and consumer affairs on:~~

9 ~~(B) Each person who owns more than ten percent of an~~  
10 ~~appraisal management company who is applying for~~  
11 ~~registration as an appraisal management company,~~  
12 ~~as provided by section 8; and~~

13 ~~(C) Each of the controlling persons of an applicant~~  
14 ~~for registration as an appraisal management~~  
15 ~~company, as provided by section 8; and] and~~

16 ~~[(46)]~~45 Any other organization, entity, or the State,  
17 its branches, political subdivisions, or agencies  
18 as may be authorized by state law."

19 SECTION 4. Section 26H-4, Hawaii Revised Statutes, is  
20 amended to read as follows:

21 "**§26H-4 Repeal dates for newly enacted professional and**  
22 **vocational regulatory programs.** (a) Any professional or

1 vocational regulatory program enacted after January 1, 1994, and  
2 listed in this section shall be repealed as specified in this  
3 section. The auditor shall perform an evaluation of the  
4 program, pursuant to section 26H-5, prior to its repeal date.

5 (b) Chapter 436H (athletic trainers) shall be repealed on  
6 June 30, 2018.

7 (c) Chapter 465D (behavior analysts) shall be repealed on  
8 June 30, 2021.

9 (d) Chapter \_\_\_\_\_ (appraisal management companies) shall be  
10 repealed on June 30, 2023.

11 SECTION 5. The department of commerce and consumer affairs  
12 may employ necessary personnel without regard to chapter 76,  
13 Hawaii Revised Statutes, to assist with the implementation and  
14 continuing functions of this chapter.

15 SECTION 6. There is appropriated out of the compliance  
16 resolution fund established pursuant to section 26-9(o), Hawaii  
17 Revised Statutes, the sum of \$140,000 or so much thereof as may  
18 be necessary for fiscal year 2018-2019 to implement the  
19 appraisal management company registration program.

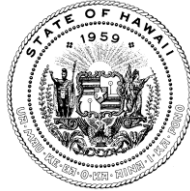
20 The sum appropriated shall be expended by the department of  
21 commerce and consumer affairs for the purposes of this Act.

1           SECTION 7. The provisions of this Act shall be enforced to  
2 the extent they are not held to conflict with any federal law.  
3 If any provision of this Act is held in conflict with any  
4 federal law, this Act in its entirety, shall be invalid.

5           SECTION 8. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7           SECTION 9. This Act shall take effect on January 1, 2018;  
8 provided that section 6 of this Act shall take effect on July 1,  
9 2017.





**LATE**

DAVID Y. IGE  
GOVERNOR  
SHAN S. TSUTSUI  
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  
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN  
DIRECTOR  
JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

**PRESENTATION OF  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
REGULATED INDUSTRIES COMPLAINTS OFFICE**

**TO THE HOUSE COMMITTEE  
ON  
CONSUMER PROTECTION AND COMMERCE**

**TWENTY-NINTH STATE LEGISLATURE  
REGULAR SESSION, 2017**

**TUESDAY, FEBRUARY 14, 2017  
2:00 P.M.**

**TESTIMONY ON HOUSE BILL NO. 50 H.D.1  
RELATING TO APPRAISAL MANAGEMENT COMPANIES**

**TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,  
AND TO THE HONORABLE LINDA ICHIYAMA, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:**

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify on House Bill No. 50 H.D.1, Relating to Appraisal Management Companies. My name is Daria Loy-Goto and I am the Complaints and Enforcement Officer for the Department's Regulated Industries Complaints Office ("RICO"). RICO offers enforcement-related comments on this bill.

House Bill No. 50 H.D.1 establishes a new chapter for the registration of appraisal management companies within the Department.

RICO acknowledges the complexity in creating an appraisal management company program within the Department that conforms to federal law. At the present time, RICO respectfully requests the following enforcement-related amendments to House Bill No. H.D.1, but notes that efforts to improve the enforcement provisions of the bill are necessarily ongoing as the bill moves through the legislative process:

**1) Add two new subsections, (d) and (e), to § -6 at page 18, line 18 to provide for fines for conduct by an unregistered appraisal management company:**

(d) Any person, who engages in an activity requiring registration as an appraisal management company issued by the director and who fails to obtain the required registration, or who uses any work, title, or representation to induce the false belief that the person is registered to engage in said activity, shall be guilty of a misdemeanor and shall be subject to a fine of not more than \$1,000 or imprisoned not more than one year, or both, and each day of violation shall be deemed a separate offense.

(e) The director may maintain a suit to enjoin the performance or the continuance of any act or acts by a person acting without a registration where a registration is required by law, and if injured thereby, for the recovery of damages.

**2) Amend § -21(c) at page 26, lines 8-11 to delete "reasonable notice" to make this chapter consistent with requirements for real estate appraisers:**

(c) All records required to be maintained pursuant to this section shall be made available for inspection by the director, upon request.

**3) Amend § -24(b)(11) on page 31, line 3, to delete "fully" because it is vague and ambiguous from an enforcement perspective:**

(11) Fail to cooperate in any investigation.

**4) Add new subparagraph (9) to § -25 to include any violation of the new Chapter:**

(9) Violation of this chapter, chapter 436B, or any rule or order of the director.

Testimony on House Bill No. 50 H.D.1

February 14, 2017

Page 3

RICO appreciates the Committee's consideration of these amendments and notes that they are included in the proposed H.D. 2 draft submitted by the Professional and Vocational Licensing Division as part of that division's testimony to the Committee.

Thank you for the opportunity to testify on House Bill No. 50 H.D.1. I will be happy to answer any questions the Committee may have.

February 14, 2017

**The Honorable Angus L.K. McKelvey, Chair**  
House Committee on Consumer Protection & Commerce  
State Capitol, Room 329  
Honolulu, Hawaii 96813

**RE: H.B. 50, H.D.1, Relating to Appraisal Management Companies**

**HEARING: Tuesday, February 14, 2017, at 2:00 p.m.**

Aloha Chair McKelvey, Vice Chair Ichiyama, and Members of the Committee.

I am Myoung Oh, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its 9,000 members. HAR **strongly supports** H.B. 50, H.D.1, which establishes an appraisal management company (AMC) registration program within the department of commerce and consumer affairs to conform to minimum standards established under federal law and regulations.

An AMC is an entity that administers networks of independent appraisers to fulfill real estate appraisal assignments for lenders. AMCs serve as an intermediary to ensure independence between the appraisal and loan originator. Additionally, AMCs perform essential functions in many residential transactions, including coordinating appraisal completion, maintaining a roster (panel) of qualified appraisers, maintaining appraiser independence by serving as a liaison between the appraiser and lender, and performing quality control reviews of the appraisal before sending it to the lender.


The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) directed that six federal financial regulatory agencies<sup>1</sup> promulgate rules on the minimum requirements for states to register AMCs. The final rules were published in the Federal Register on June 9, 2015, and became effective August 10, 2015. While the final rule does not force a State to enact these minimum requirements, it specifies that if a State fails to do so by August 10, 2018, non-federally regulated AMCs will be barred


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<sup>1</sup> The six agencies include the Board of Governors of the Federal Reserve System, Comptroller of Currency, Federal Deposit Insurance Corporation, National Credit Union Administration Board, Federal Housing Finance Agency and Bureau of Consumer Financial Protection.



 | 808-733-7060

 | 808-737-4977

 | 1259 A'ala Street, Suite 300  
Honolulu, HI 96817

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from providing appraisal management services for federally-related transactions in that State.

In response to Dodd Frank and the federal rules, 40 states have enacted legislation to regulate AMCs. The impact of not adopting these rules could have a significant disruption on the mortgage market in Hawaii. It is estimated that a variety of lenders currently utilize between 60-100 AMCs in Hawaii. Without regulation, these lenders would have to create new ways to process appraisals, or might choose not to provide mortgages in the State. Ultimately, this may increase consumer costs, and limit the availability of mortgage products in Hawaii.

H.B. 50, H.D.1 enacts a regulatory structure to meet the minimum federal requirements, and to allow AMCs to continue to operate in Hawai'i. These regulations will ultimately help protect consumers by providing full oversight over all aspects of the appraisal process in real estate transactions.

Mahalo for the opportunity to testify in strong support of this measure.





TEL:  
808-524-5161  
FAX:  
808-521-4120  
ADDRESS:  
1000 Bishop Street, Suite 301B  
Honolulu, HI 96813-4203

Presentation To  
House Committee on Consumer Protection and Commerce  
February 14, 2017 at 2:00 PM  
State Capitol Conference Room 329

**Testimony in Support of House Bill 50, HD1**

TO: The Honorable Angus L. K. McKelvey, Chair  
The Honorable Linda Ichiyama, Vice Chair  
Members of the Committee

My name is Edward Pei and I am the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eleven FDIC insured depository institutions with branch offices in the State of Hawaii.

We support the intent of House Bill 50, HD 1, which would establish a registration program for Appraisal Management Companies (AMC) wishing to do business in Hawaii. Most other states in the country have already established a registration program for AMCs and we are concerned that the lack of AMC regulation in Hawaii would create unintended consequences for consumers, including lessening the availability of credit for mortgages and other real estate secured lending. We join with the Real Estate Valuation Advocacy Association (REVAA), the Mortgage Bankers Association (MBA), and the American Bankers Association (ABA) in supporting nationwide adoption of this registration program.

Thank you for the opportunity to submit this testimony and please let us know if we can provide further information.

A handwritten signature in black ink, appearing to read 'Edward Y. W. Pei', is centered on the page.

Edward Y. W. Pei  
(808) 524-5161

# HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

February 14, 2017

Rep. Angus L.K. McKelvey, Chair

Rep. Linda Ichiyama, Vice Chair

and members of the House Committee on Consumer Protection & Commerce

Hawaii State Capitol

Honolulu, Hawaii 96813

Re: **H.B. 50 (Appraisal Management Companies)**  
**Hearing Date/Time: Tuesday, February 14, 2017, 2:00 p.m.**

I am Marvin Dang, the attorney for the **Hawaii Financial Services Association** (“HFSA”). The HFSA is a trade association for Hawaii’s consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

The HFSA **supports** this Bill.

This Bill: (a) establishes an Appraisal Management Company Registration Program within the Department of Commerce and Consumer Affairs (“DCCA”) to conform to minimum standards of the Appraisal Management Companies Final Rule and Dodd-Frank Wall Street Reform and Consumer Protection Act; and (b) establishes registration requirements, standards, and penalties for violations.

Because of a federal law requiring that the real estate appraisal function of a financial institution be separate and independent from the financial institution’s loan origination function, over 60% of lenders nationally use “appraisal management companies” (“AMC”) for residential appraisals. AMCs ensure appraisal independence by being the liaisons between lenders and appraisers. AMCs maintain lists of qualified appraisers, arrange for appraisals to be done, and provide quality control reviews of the appraisals before the AMCs send the appraisals to the lenders.

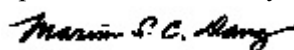
A federal interagency group issued a Final Rule in 2015 regarding AMCs. Beginning on August 10, 2018, lenders will be barred from using AMCs for “federally regulated transactions” in a state which doesn’t have an AMC registration and supervision program in place that meets the Rule’s minimum requirements.

A “federally regulated transaction” is generally a real estate-related financial transaction that involves an insured depository financial institution and that requires the services of an appraiser. An example is a mortgage loan by a bank to a consumer to purchase a home or to refinance a home loan. The appraisals are for loans that are on origination or for the secondary market (e.g. VA, Fannie Mae, etc.).

Hawaii is one of only 10 states that doesn’t yet have an AMC registration and supervision program. If Hawaii doesn’t implement an AMC program, the residential mortgage market would be negatively impacted. We understand that while most local financial institutions don’t currently use AMCs, many mainland financial institutions which make mortgage loans in Hawaii do use AMCs. Because mainland lenders provide a large portion of mortgage loans in Hawaii, unless there is an AMC program in place in Hawaii, those lenders will not be able to use AMCs for federally regulated transactions. A consequence will be a disruption for consumers, lenders, and real estate professionals for mortgage loans for home purchases and refinancings. Reduced lending options and availability will not be in the best interest of consumers.

We understand that this Bill needs to pass during this legislative session (and not wait until 2018) so it can be signed into law this year to timely establish an AMC program within the DCCA.

Accordingly, we ask that your Committee pass this Bill. Thank you for considering our testimony.



MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association



February 14, 2017

The Honorable Angus L.K. McKelvey, Chair  
The Honorable Linda Ichiyama, Vice Chair  
House Committee on Consumer Protection & Commerce  
Hawaii State Capitol, Room 329  
Honolulu, Hawaii 96813

## RE: H.B. 50 – Appraisal Management Company (AMC) Regulation

Aloha Chair McKelvey, Vice Chair Ichiyama, and Members of the Committee:

On behalf of the Appraisal Management Companies (AMCs) represented by the Real Estate Valuation Advocacy Association (REVAA), **we are grateful for your consideration and strongly support passage of H.B. 50.** We believe this legislation will enact fair and balanced regulation of AMCs in Hawaii.

REVAA is an industry trade association whose membership includes 21 AMCs that collectively provide more than 80 percent of the residential appraisal transaction volume nationwide on behalf of mortgage lenders, many of whom serve Hawaii mortgage consumers. In addition, many REVAA members also provide other important lender valuation services such as Broker Price Opinions (BPO) and Alternative Valuation Methods (AVM).

AMCs are in a precarious situation whereby they need to advocate for their own regulation by all 50 states and the five U.S. territories to avoid a massive disruption in the residential mortgage servicing for consumers and lenders in Federally Related Transactions. Therefore, while generally we believe in less state government regulation, REVAA members do support minimal state regulation that complies with the federal mandate under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Dodd-Frank added section 1124, Appraisal Management Company Minimum Requirements, to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI). Section 1124 required the Office of the Comptroller of the Currency (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Bureau of Consumer Financial Protection (Bureau); and Federal Housing Finance Agency (FHFA) (collectively, the agencies) to establish, by rule, minimum requirements for State registration and supervision of AMCs. In accordance with the statute, the agencies recently issued a final rule (referred to as the AMC Rule) which was published on June 9, 2015, with an effective date of August 10, 2015. States have 36 months to comply – August 10, 2018.

### **AMCs Play a Vital Role in Protecting Consumers**

- **Safeguard Appraiser Independence and Protect Against Fraud** – AMCs help ensure that appraisals are completed in compliance with federal and state law and that the opinion of value was achieved by the appraiser independently, without undue influence. Prevention of coercion is critical to avoiding collusion within the valuation process and therefore potential fraud.
  - » A lack of appraiser independence has led to previous housing bubbles and predatory lending. Long before the HVCC and Dodd-Frank the nation had been adversely affected by prior valuation crises in the 1930s and 1980s. FIRREA was part of an effort to rein in abuse but was inadequate. The same independence protects consumers and lenders by providing assurance that real estate assets are correctly valued as there are reams of federal/state reports estimating the losses to the economy from valuation fraud.
  - » Most AMCs have systems and processes in place to:
    - Investigate appraiser concerns regarding attempts to influence valuation
    - Investigate consumer complaints regarding unprofessional conduct
    - Communications with consumers to help educate them regarding misunderstandings of appraisal practices and/or principles



- **Help Lower Costs Associated with Borrowing** – While compliance with state and federal laws and rules is a big reason for lenders use of AMCs, another one is that lenders have high overhead and must compete in a competitive marketplace and the use of AMCs helps them provide the service efficiently and cost effectively to benefit the consumer while ensuring payment of Customary and Reasonable Fees to appraisers.
- **Provide Quality Controls** - AMCs employ quality control measures to ensure the integrity of a supportable, dependable and credible appraisal, which can identify mistakes and fraud in appraisal reports that protect consumers from faulty opinions of value.
- **Reduce Turnaround Times** - AMCs employ valuation experts to screen appraisal reports to identify issues early, and have a much larger success rate in resolving valuation issues without causing unnecessary delays and mitigation consumer dissatisfaction.
- **Assure that a Competent Appraiser is Selected** - Ensure only the most qualified and geographically competent appraisers are sent to a consumer's home.
- **Protect Public Safety** – Consumers are provided an extra layer of safety and protection as AMCs complete background checks of appraisers before they can be employed or empaneled. Further, AMCs continue to monitor their appraisers while they are employed or empaneled to ensure that unqualified appraisers or those that may pose a threat to public trust or safety are removed.
- **Assist Appraisers with Consumer Questions** - AMCs work with appraisers to resolve borrower questions and provide the borrower/lender an ability to submit value appeals while complying with appraiser independence.
- **Provide Customer Service Issue Resolutions** - AMCs resolve customer service escalations that are not directly related to the appraisal process through their access to lenders that the consumer may not otherwise have.
- **Support Hawaii Appraiser Regulatory Function** - In fulfilling their responsibilities, AMCs will help support the obligations that Hawaii has in regulating appraisers (i.e., by reporting on appraiser violations of the USPAP and other relevant professional licensing standards).

### **AMCs are Integrated into America's Mortgage Lending and Secondary Markets**

It is estimated that nearly 70% of lenders now use AMCs exclusively for their facilitation of residential appraisals. The remaining one-third of lenders (primarily smaller lenders) manage their own in-house appraiser panels, many of which use their own panels which often include the use of AMCs.

- **Act as a Compliance Partner for AMC Regulations** - Serve as invaluable partners for ensuring efficiency and compliance with state and federal AMC regulations.
- **Ensure Lender Compliance with Banking and Mortgage Regulations** - Support lender compliance with federal banking regulations (e.g., Fed, FDIC, OCC, CFPB) governing mortgage lending (i.e., appraisal review).
- **Help Reduce Costs & Ensure Appraiser Independence** - Large and medium sized lending institutions have indicated that they need independent AMCs, because of the cost for them to establish and maintain the necessary internal firewalls for effective appraiser independence compliance.
- **Protects Against Marketplace Disruption** - Ensures that lenders who use AMCs get their valuation work completed. If AMCs were not to be regulated in Hawaii, lenders would be forced to create elaborate internal controls and firewalls that they would not have to create in other states to obtain their appraisal procurement functions on FRTs, with the least disruption to mortgage lending in the state.

Mahalo for considering our comments. Please do not hesitate to contact me with questions.

Respectfully,



Mark Schiffman  
Executive Director

# STELLMACHER & SADOYAMA, LTD.

Real Estate Appraisers, Arbitrators and Counselors/Feasibility and Market Analysis

1042 Fort Street Mall, Suite 300, Honolulu, Hawaii 96813 / Telephone (808) 545-2622 / Fax (808) 545-3743

February 12, 2017

Angus L. K. McKelvey, Chairman  
House Committee on Consumer Protection & Commerce  
State Capitol, Room 329  
Honolulu, Hawaii 96813

Regarding: H. B. 50, H. D.1, Relating to Appraisal Management Companies (AMC)  
Hearing Scheduled for Tuesday, February 14, 2017, at 2:00PM

Chairman McKelvey:

Thank you for providing me the opportunity to testify in favor of H B 50, H D 1, relating to appraisal management companies (AMC). AMCs came about because of the need to maintain independence of the appraisal and lending functions. An AMC orders appraisals on behalf of the lender and deliver appraisals on behalf of the appraisers. They are a separate organization from both the appraisers and the loan originators. This way the lender would have no direct communication with the appraiser and would not be able to influence the valuation. This is the role that the AMC performs.

As part of the Dodd-Frank Act, states were given 36 months after federal regulators issued final rules to comply with amendments to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 for registration or regulation of AMCs. The final rule became effective in August of 2015. If state legislation is not enacted, AMCs would be prohibited from operating within that state.

Because Hawaii is a capital short state, we need out of state capital to satisfy our mortgage needs. If AMCs are not allowed to operate, out of state capital for loan originations would be negatively affected. This would be one more hurdle that would limit capital availability to first time home buyers and existing home owners in Hawaii.

As a result of the federal legislation, S B 1606 was proposed in 2009. A sunrise analysis of the bill was conducted in 2010. The auditor found that legislation was necessary, and recommended that the federal requirements be examined, and that the Department of Commerce and Consumer Affairs (DCCA) work with appraisers and AMC interests to arrive at an appropriate vehicle to comply with federal law. The state auditors, along with the legislature, saw the need to implement some type of legislation to allow AMCs to operate in Hawaii.

I strongly support H B 50, H D 1, Relating to Appraisal Management Companies and recommend its passage.

Sincerely,



Wayne Y. Sadoyama  
Vice President



Testimony to the House Committee on Consumer Protection & Commerce  
February 14, 2017

**LATE**

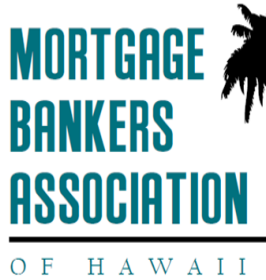
Testimony in Support of Intent of HB 50 HD1, Relating to Appraisal Management Companies

To: The Honorable Angus McKelvey, Chair  
The Honorable Linda Ichiyama, Vice-Chair  
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 61 Hawaii credit unions, representing over 800,000 credit union members across the state. We are in support of the intent of HB 50 HD1.

The majority of Hawaii credit unions offer mortgage loans to their members. All mortgage loans require independent appraisals of the property involved. The registration program of appraisal management companies would ensure federal compliance of these agencies, and ensure that financial institutions that utilize them are still able to do so.

Thank you for the opportunity to testify.



*Mortgage Bankers Association of Hawaii*  
P.O. Box 4129, Honolulu, Hawaii 96812

**LATE**

February 13, 2017

The Honorable Angus L. K. McKelvey, Chair  
The Honorable Linda Ichiyama, Vice Chair  
Members of the House Committee on Consumer Protection and Commerce  
State Capitol, Room 329  
Honolulu, Hawaii 96813

Re: House Bill 50, HD1, Relating to Appraisal Management Companies

**Chair McKelvey, Vice Chair Ichiyama, and Members of the Committee:**

I am Linda Nakamura, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service or support the origination and servicing of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation, it is related only to mortgage lending and servicing.

The MBAH supports House Bill 50, HD1. According to the Mortgage Bankers Association of America, 60 percent of all appraisals ordered for residential mortgages originated in the United States were facilitated through Appraisal Management Companies (AMCs). Many lenders do not have in-house appraisal departments whose function is to coordinate the appraisal work, review and maintain a listing of qualified appraisers, serve as a liaison between the lender and the appraiser, and review the completed appraisal as part of their quality control process. These lenders may rely on non-federally regulated AMCs to do these functions.

The final rules of the Dodd-Frank Act require non-federally regulated AMCs to register and report to a state agency in every state where the AMC does business. However, it does not require each state to create a licensing agency. As a result, non-federally regulated AMCs will not be able to provide appraisal management services in those states. This places the burden on the lender to find other ways of procuring appraisals which may lead to added costs to consumers. If the lender is not able to economically find ways to procure appraisals, the lender may decide to not originate loans in those states. This then leads to decreased access to credit for consumers.

Thank you for the opportunity to present this testimony.

LINDA NAKAMURA  
Mortgage Bankers Association of Hawaii

From: mailinglist@capitol.hawaii.gov  
Sent: Saturday, February 11, 2017 7:48 AM  
To: CPCtestimony  
Cc: ted@acmmaui.com  
Subject: Submitted testimony for HB50 on Feb 14, 2017 14:00PM

**HB50**

Submitted on: 2/11/2017

Testimony for CPC on Feb 14, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ted Yamamura	Individual	Support	No

Comments: Honorable Committee Chair Angus L.K. McKelvey and committee members. As a real estate appraiser in the State of Hawaii for the past 38 years, I applaud the introduction and intent of this Bill. I especially appreciate the amendment creating a new chapter f or AMC regulation rather than diluting the existing Chapter 466K which regulates real estate appraisers. I speak in wholehearted support of his Bill.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)