

# HB50 HD3

Measure Title: RELATING TO APPRAISAL MANAGEMENT COMPANIES.

Report Title: Appraisal Management Companies; Registration; Real Property

Description: Establishes an Appraisal Management Company Registration Program within the Department of Commerce and Consumer Affairs to conform to minimum standards of the Appraisal Management Companies Final Rule and Dodd-Frank Wall Street Reform and Consumer Protection Act. Establishes registration requirements, standards, and penalties for violations. (HB50 HD3)

Companion:

Package: None

Current Referral: CPH, WAM

Introducer(s): MCKELVEY



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  
PROFESSIONAL AND VOCATIONAL LICENSING DIVISION**

TO THE SENATE COMMITTEE ON  
COMMERCE, CONSUMER PROTECTION, AND HEALTH

TWENTY-NINTH LEGISLATURE  
Regular Session of 2017

Tuesday, March 14, 2017  
9:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 50, H.D. 3, RELATING TO APPRAISAL MANAGEMENT COMPANIES.**

TO THE HONORABLE ROSALYN H. BAKER, 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. 3, Relating to Appraisal Management Companies.

The purpose of House Bill No. 50, H.D. 3, 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.

For the Committee's information, the House Committee on Consumer Protection and Commerce accepted all of the Department's suggested amendments at its hearing on February 15, 2017, which are now reflected in this H.D. 3. Many safeguards for the consumers of the State had been included, such as, the definitions of "appraisal management services", "appraisal review", and "uniform standards of professional appraisal practice" had been expanded to strengthen protections for the consumer. In addition, one of the amendments clearly stated 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. Standard PVLD placeholder provisions had been included as are reflected in other PVLD licensing laws, and such amendments would bring this new chapter in line with those laws.

The Department is continuing to consult and have ongoing discussions with stakeholders in order to address any remaining issues with the measure. We are also supportive of the amendment proposed by the Regulated Industries Complaints Office ("RICO") regarding the surety bond requirement.

Thank you for the opportunity to provide testimony in support of House Bill No. 50, H.D. 3, with the RICO amendment.



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 SENATE COMMITTEE  
ON  
COMMERCE, CONSUMER PROTECTION, AND HEALTH**

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

**TUESDAY, MARCH 14, 2017  
9:00 A.M.**

**TESTIMONY ON HOUSE BILL NO. 50 H.D.3  
RELATING TO APPRAISAL MANAGEMENT COMPANIES**

**TO THE HONORABLE ROSALYN H. BAKER, CHAIR,  
AND TO THE HONORABLE CLARENCE K. NISHIHARA, 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.3, 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, with a requested amendment.

House Bill No. 50 H.D.3 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 and continues to work on improving the enforcement-related provisions in this bill.

RICO notes that this Committee heard the companion measure, Senate Bill No. 390, and passed out a Senate Draft 1. Subsequently, the Department submitted a proposed Senate Draft 2 to the Senate Committee on Ways and Means, which that Committee adopted. RICO prefers Senate Bill No. 390 S.D.2 over this bill because the Senate draft incorporates all the enforcement-related amendments RICO requested, while this bill lacks one such provision. As such, RICO respectfully requests the following additional amendment to § -27 of this bill that would make this bill consistent with the preferred Senate amendments included in Senate Bill No. 390 S.D. 2:

**Amend the title for § -27 on page 38, line 6 and delete current subsection (c) on page 39, lines 4-5 and replace with language requiring a surety bond as follows:**

**§ -27 Fees; bond required....**

(c) Each appraisal management company applying for or renewing a registration shall post with the director and maintain a surety bond in the amount of \$25,000 as follows:

- (1) The bond shall be in a form satisfactory to the director.
- (2) The bond will accrue to the program for the benefit of a claimant against the registrant to secure the faithful performance of the registrant's obligations under applicable laws and rules and to a real estate appraiser who has performed an appraisal for the registrant for which the appraiser has not been paid.
- (3) The aggregate liability of the surety shall not exceed the principal sum of the bond.
- (4) A party having a claim against the registrant may bring suit directly on the surety bond, or the director may bring suit on behalf of the party

having a claim against the registrant, either in one action or in successive actions.

- (5) A claim reducing the face amount of the bond shall be annually restored upon renewal of the registrant's registration.
- (6) The bond shall remain in effect until cancellation, which may occur only after 90 days written notice to the program. Cancellation shall not affect any liability incurred or accrued during that period.
- (7) Upon termination or cancellation of the bond required in this subsection, a registered appraisal management company shall file a replacement bond or shall surrender its registration to do business in the State and shall immediately cease operation as an appraisal management company in the State. A registered appraisal management company that voluntarily ceases operations in this State, shall ensure a surety bond remains in place for no less than two years after the registered appraisal management company ceases operations.

The surety bond requirement will afford protection for licensed Hawaii real estate appraisers who work with appraisal management companies.

Thank you for the opportunity to testify on House Bill No. 50 H.D.3. I will be happy to answer any questions the Committee may have.



Hawaii Credit Union League

Your Partner For Success

1654 South King Street  
Honolulu, Hawaii 96826-2097  
Telephone: (808) 941.0556  
Fax: (808) 945.0019  
Web site: [www.hcul.org](http://www.hcul.org)  
Email: [info@hcul.org](mailto:info@hcul.org)

**Unite**<sub>for</sub>  
**Good**

Testimony to the Senate Committee on Commerce, Consumer Protection, & Health  
March 14, 2017

Testimony in Support of Intent of HB 50 HD3, Relating to Appraisal Management Companies

To: The Honorable Rosalyn Baker, Chair  
The Honorable Clarence Nishihara, 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 HD3.

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.



 | 808-733-7060  
 | 808-737-4977

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

March 14, 2017

**The Honorable Rosalyn H. Baker, Chair**

Senate Committee on Commerce, Consumer Protection, and Health  
State Capitol, Room 229  
Honolulu, Hawaii 96813

**RE: H.B. 50, H.D.3, Relating to Appraisal Management Companies**

**HEARING: Tuesday, March 14, 2017, at 9:00 a.m.**

Aloha Chair Baker, Vice Chair Nishihara, and Members of the Committee.

I am Myoung Oh, Director of Government Affairs, testifying 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.3 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 from providing appraisal management services for federally-related transactions in that State.

---

<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.





**Hawai'i  
Association of  
REALTORS®**



| 808-733-7060



| 808-737-4977



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

---

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 85-125 AMCs in Hawaii and we expect very similar registration results. 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.3 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.

**While HAR has reservations with the proposed \$5,000 biennial fee on top of a biennial Compliance Resolution Fund fee, we are in continued discussions with DCCA on the fee structure and respectfully ask this Committee to pass the measure.**

Mahalo for the opportunity to testify.



# 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

March 14, 2017

Senator Rosalyn H. Baker, Chair

Senator Clarence K. Nishihara, Vice Chair

and members of the Senate Committee on Commerce, Consumer Protection & Health

Hawaii State Capitol

Honolulu, Hawaii 96813

Re: **H.B. 50, H.D. 3 (Appraisal Management Companies)**  
**Hearing Date/Time: Tuesday, March 14, 2017, 9:00 a.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 the intent** of this Bill.

This Bill: (a) establishes an Appraisal Management Company Registration Program within the Department of Commerce and Consumer Affairs 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.

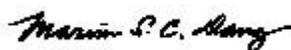
There are various differences between the current version of this Bill and S.B. 390, S.D. 2 (Appraisal Management Companies), which passed the Senate, including, whether companies need to register with the real estate appraiser program or the appraisal management company program, the specific requirements for the surety bond, the amount of the appropriation for fiscal year 2018-2019, and the effective date of this Act. We prefer the effective date that is in this Bill, but we don’t have any preferences regarding the other differences between this Bill and S.B. 390.

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 will be negatively impacted. 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.

Accordingly, we ask that your Committee pass this Bill with appropriate amendments. Thank you.



MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association



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

March 10, 2017

The Honorable Rosalyn H. Baker, Chair,  
The Honorable Clarence K. Nishihara, Vice Chair, and  
Members of the Senate Committee on Commerce, Consumer Protection, and  
Health

Hearing Date: March 14, 2017  
Hearing Time: 9:00am  
Hearing Place: State Capitol, Room 229

Re: House Bill 50, HD3, Relating to Appraisal Management Companies

**Chair Baker, Vice Chair Nishihara 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, HD3. 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

Presentation To  
Senate Committee on Commerce, Consumer Protection, and Health  
March 14, 2017 at 9:00 AM  
State Capitol Conference Room 229

**Testimony in Support of House Bill 50, HD3**

TO: The Honorable Rosalyn H. Baker, Chair  
The Honorable Clarence K. Nishihara, 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 3, 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.



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

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 13, 2017 5:42 AM  
**To:** CPH Testimony  
**Cc:** ted@acmmaui.com  
**Subject:** Submitted testimony for HB50 on Mar 14, 2017 09:00AM

**HB50**

Submitted on: 3/13/2017

Testimony for CPH on Mar 14, 2017 09:00AM in Conference Room 229

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

Comments: Committee Chair Takashi Ohno and committee members. As a real estate appraiser in the State of Hawaii for the past 38 years, I applaud and appreciate the legislature's efforts to enact AMC regulations. This legislation would enact a reasonable registration and regulatory structure for AMCs operating in Hawaii, and I speak in wholehearted support.

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)