

Honolulu, Hawaii

MAR 22 2017

RE: H.B. No. 50
H.D. 3
S.D. 1

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

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred H.B. No. 50, H.D. 3, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish an appraisal management company registration program within the Department of Commerce and Consumer Affairs to conform to minimum standards for appraisal management companies established under federal law and regulations; and
- (2) Appropriate an unspecified sum out of the Compliance Resolution Fund to implement the appraisal management company registration program.

Your Committee received testimony in support of this measure from the Professional and Vocational Licensing Division of the Department of Commerce and Consumer Affairs, Hawaii Credit Union League, Hawai'i Association of REALTORS, Hawaii Financial Services Association, Mortgage Bankers Association of Hawaii, Hawaii Bankers Association, Real Estate Valuation Advocacy Association, and one individual. Your Committee received comments on this



measure from the Regulated Industries Complaints Office of the Department of Commerce and Consumer Affairs.

Your Committee finds that appraisal management companies, commonly referred to as AMCs, are business entities that administer networks of independent appraisers who prepare appraisals on behalf of lenders. AMCs serve as intermediaries to ensure independence between the appraiser and loan originator and also perform essential functions in many residential transactions, including coordinating appraisal completion, maintaining a panel of qualified appraisers, serving as a liaison between the appraiser and lender, and performing quality control reviews of the appraisal before sending it to the lender.

Your Committee further finds that the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) directed six federal financial regulatory agencies to promulgate rules on the minimum requirements for states to register and supervise AMCs. Your Committee notes that Dodd-Frank does not compel a state to establish an AMC registration and supervision program, nor does the Act penalize a State who has not established a regulatory structure within thirty-six months of issuance of the final rule regulating AMCs. However, in states that have not adopted AMC minimum requirements, AMCs are barred from providing appraisal management services for federally-related transactions, unless the AMCs are owned and controlled by a federally-regulated depository institution. According to testimony received by your Committee, Hawaii is one of only ten states that have not enacted legislation to regulate AMCs. Furthermore, the absence of state regulation may deter some lenders from offering mortgage financing in the State, which may disrupt the mortgage loan process for consumers, lenders, and real estate professionals. This measure establishes a registration program for AMCs, thus ensuring that Hawaii's residential mortgage consumers have the widest range of financing choices available.

Finally, your Committee notes that while this measure remains a work in progress, the Department of Commerce and Consumer Affairs has indicated it is continuing to engage in discussions with interested stakeholders to resolve any remaining issues with this measure.

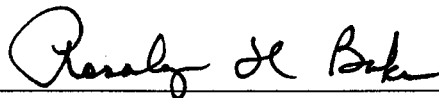
Your Committee has amended this measure by:



- (1) Clarifying the definition of "affiliate";
- (2) Requiring each appraisal management company that applies for or renews a registration to post with the Director of Commerce and Consumer Affairs a surety bond in the amount of \$25,000, and specifying the requirements to maintain the bond, rather than permitting the director to require a surety bond of not more than \$25,000;
- (3) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



