

STAND. COM. REP. NO.

56

Honolulu, Hawaii

FEB 06 2017

RE: S.B. No. 390
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 S.B. No. 390 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 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.

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

Your Committee finds that appraisal management companies, commonly referred to as AMCs, are business entities that manage 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

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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 that establish minimum requirements to be applied by states in the registration and supervision of 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, the absence of state regulation may deter some lenders from offering mortgage financing in the State. This measure establishes a registration program for AMCs, thus ensuring that Hawaii's residential mortgage consumers have the widest range of financing choices available.

Your Committee notes that due to the complexity of the federal regulation over AMCs, the Department of Commerce and Consumer Affairs anticipates a need for funding to cover the costs associated with the new appraisal management company registration program established by this measure.

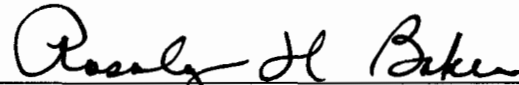
Your Committee has amended this measure by:

- (1) Establishing the appraisal management company registration program as a new chapter, rather than a new part in chapter 466K, Hawaii Revised Statutes;
- (2) Inserting a blank appropriation to the Department of Commerce and Consumer Affairs for personnel and startup funding associated with the appraisal management company registration program, to take effect on July 1, 2017; and
- (3) 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 S.B. No. 390, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 390, 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



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:	Committee Referral:	Date:		
SB 390	CPH, WAM	1/31/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
NISHIHARA, Clarence K. (VC)	/			
CHANG, Stanley	/			
ESPERO, Will	/			
IHARA, Jr., Les				/
KIDANI, Michelle N.				/
RUDERMAN, Russell E.				/
TOTAL	4			3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Clarence K. Nishihara</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes