

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 69

(Chair, Finance Committee)(By Request - Departmental -
Labor, Licensing and Regulation)

Finance

Economic Matters

Appraisal Management Companies – Annual Fee and Reports

This departmental bill establishes the Appraisal Management Company (AMC) Annual Federal Registry Fee Fund in the Department of Labor, Licensing, and Regulation (DLLR). The fund acts solely as a pass-through for the collection and transmittal of the federal fee in accordance with federal law. The bill contains related reporting requirements.

Fiscal Summary

State Effect: Special fund revenues and expenditures increase annually beginning in FY 2020, offsetting each other. DLLR can handle the administration of the fund and the bill's reporting requirements with existing budgeted resources. General fund revenues are not materially affected.

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: The AMC Annual Federal Registry Fee Fund is established as a special, nonlapsing fund, administered by the director of the State Commission of Real Estate Appraisers, AMCs, and Home Inspectors. Each year, the commission must collect the fee from each registered AMC, deposit the fee into the fund, and transmit the fee to the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examinations Council

at the designated time. The fund consists only of these AMC registry fees and may be used only for these limited actions. Interest accrues to the general fund. The schedule of AMC registry fees is established by ASC.

Each year, the commission must send the following to ASC: (1) a roster of registered AMCs; and (2) a report on any fully adjudicated disciplinary actions taken against or any final decisions concerning an AMC.

Current Law/Background:

Federal Standards for Appraisals and State Appraiser Regulatory Bodies

Title XI of the federal Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) is the legal framework controlling national uniform appraisal standards and state appraiser regulatory bodies. ASC was established by FIRREA and is charged with monitoring state appraiser licensing units to ensure that federal financial interests in real estate transactions are protected.

The bill implements new federal standards for state regulatory bodies that elect to register and supervise AMCs, specifically under [regulations](#) promulgated by ASC due to the Dodd-Frank Act of 2010 as they relate to AMC registry fee collection and reporting requirements. Generally, the federal fee is \$25 for each appraiser working for or contracting with the AMC in a state during the previous year. AMCs in operation for less than a year may pay less. The fee may be adjusted up to \$50.

Title XI grants ASC authority to impose sanctions on a state that fails to have an effective appraiser or AMC program. To that end, DLLR advises that the bill ensures continued recognition of Maryland's appraiser and AMC programs, which could be jeopardized by a failure to comply with federal requirements. Non-recognition of a state's program disqualifies appraisers from conducting appraisals for federally insured institutions and prohibits AMCs from conducting AMC services.

Appraisal Management Companies

Chapters 269 and 270 of 2011 established various regulatory requirements pertaining to the provision of appraisal management services in the State and required AMCs to register with the commission. There are approximately 150 AMCs regulated by the commission.

AMCs provide a broad range of appraisal management services in conjunction with the purchase or sale of real estate. For example, AMCs (1) administer an appraiser panel; (2) recruit, retain, or select appraisers; (3) verify licensing and certification, negotiate fees and service level expectations, and review qualifications of persons who are or wish to be

part of an appraiser panel; (4) contract with appraisers to perform appraisal assignments; and (5) manage the process of having an appraisal performed, such as collecting fees for services provided and reimbursing appraisers for services performed.

State Commission of Real Estate Appraisers, AMCs, and Home Inspectors

Chapter 594 of 1990 established the commission (formerly the State Commission of Real Estate Appraisers) to implement and administer a real estate appraiser licensing and certification program that complies with FIRREA. Commission authority was later expanded to include home inspectors (2001) and appraisal management companies (2011).

State Fiscal Effect: Special fund revenues and expenditures for DLLR increase annually beginning in fiscal 2020 from federal AMC registration fees collected and transmitted to ASC. DLLR advises that it intends to collect and remit the fees in the fourth quarter of each calendar year. The amount cannot be reliably estimated at this time, as it depends on the number of appraisers on appraiser panels at each AMC. For context, there are about 2,200 appraisers in the State; however, each appraiser could be on zero, one, or multiple appraiser panels. Regardless, as the fund is acting solely as a pass-through, there is no net effect. Interest earnings are not anticipated to materially affect general fund revenues. DLLR can handle the bill's reporting requirements with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - January 8, 2019
an/mcr Third Reader - January 18, 2019

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Notice of Infraction and Opportunity to Respond – Appraisal Management Companies

BILL NUMBER: SB 69

PREPARED BY: Patricia Schott, Executive Director, Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed bill will have no impact on small businesses.