

SESSION OF 2012

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 345**

As Amended by Senate Committee on Federal  
and State Affairs

**Brief\***

SB 345, as amended, would create the Kansas Appraisal Management Company Registration Act to provide a process for registration and regulation of entities conducting, performing, or engaging in real estate appraisal management services as a real estate appraisal management company in the State of Kansas.

The amended bill would require registration of appraisal management companies by the Kansas Real Estate Appraisal Board (Board). The amended bill would define appraisal management companies (AMC) as entities acting as extended third parties authorized to perform appraisal management services by a creditor in a consumer credit transaction that is secured by a consumer's principal dwelling, or by an underwriter or a principal in the secondary mortgage market when such entity oversees more than 15 licensed Kansas appraisers or more than 25 appraisers licensed in Kansas and another jurisdiction. Appraisal management services would consist of administering an appraiser panel, recruiting qualified appraisers, assigning appraisal orders, and submitting completed appraisals to clients.

The amended bill would prohibit any AMC from engaging in appraisal management services without first registering with the Board. The registration period would run from October 1 to September 30. The application for registration would have to include contact information and

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

other specific information. The amended bill would exempt AMC's that are a subsidiary of a financial institution regulated by federal financial institutions regulatory agencies and AMC's that exclusively employ appraisers, and Kansas licensed appraisers actively engaged in real estate appraisals if the entity does not have more than 15 appraisers. The fees for registration and renewal of registration would be set by the Board in an amount not to exceed \$3,500. The initial registration fee would be prorated if the applicant applies with less than 11 months left in the registration period. Late renewal fees would not be more than \$500. Registration fees would be deposited in the Appraiser Fee Fund and civil fines would be deposited in the State General Fund. The AMC federal registry fees would be deposited into the State Treasury in the AMC federal registry clearing fund, which would not be subject to limitation by appropriations acts.

The amended bill would place several limitations on ownership interests in an AMC. No interest in excess of 10 percent of the AMC may be held by individuals or entities who have had their appraisal credentials revoked, suspended, or otherwise are not in good standing. Individuals owning more than 10 percent interest would have to be of good moral character, would be required to be fingerprinted, and would submit to the Board a national background check. AMC's having one controlling person designated as the main contact with the Board would be subject to fingerprinting and background check requirements.

AMC's would be required to:

- Use Kansas licensed appraisers;
- Certify annually if a system is in place to verify that all appraisers on its panel have a license in good standing and are geographically competent;
- Certify annually that it maintains detailed records of each appraisal service request received by the AMC;

- Maintain records for five years;
- Have a system in place to ensure that client fees are disclosed to the client; and
- Not prohibit an appraiser from disclosing the appraiser's fee in an appraisal report submitted to the client.

The amended bill would set forth unlawful acts, such as influencing the development, reporting, result, or review of an appraisal report through coercion, extortion, collusion, or intimidation. The bill also would make it unlawful for an AMC to require an appraiser to indemnify the AMC or to hire or to contract with an appraiser that is not properly credentialed and not in good standing. In addition, the bill would make it unlawful to violate any provisions of the Act, any order by the Board, or not fully cooperate in any investigation by the Board. Under the bill, unlawful acts would be a Class C misdemeanor.

## **Background**

Representatives from the Kansas Real Estate Appraisal Board and the Kansas Association of Realtors testified as proponents to the bill. They stated the Kansas Appraisal Management Company Registration Act was designed to comply with the 2010 federal Dodd-Frank Wall Street Reform and Consumer Protection Act, which required states to adopt minimum registration requirements for AMCs.

Proponents who also submitted written testimony included representatives of the Kansas Real Estate Appraisal Board, Kansas Banker's Association, Freitag Appraisal Service, LPI Appraisal, Rels Valuation, Appraisal Institute, and Real Estate Valuation Advocacy Association.

The Senate Committee made several technical amendments to the bill and changed the effective date from October 1, 2012, to July 1, 2012.

According to the fiscal note, the Real Estate Appraisal Board estimated revenues from appraisal management company license fees would be approximately \$112,500 annually, beginning in FY 2013. The Board stated it can administer the program within existing resources.