

# **One Hundred Second Legislature - First Session - 2011**

## **Introducer's Statement of Intent**

### **LB410**

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**Chairperson: Senator Rich Pahls**

**Committee: Banking, Commerce and Insurance**

**Date of Hearing: February 01, 2011**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 410 would adopt the Appraisal Management Company Registration Act. Under the Act, appraisal management companies (AMC) would be subject to regulation and supervision by the Nebraska Real Property Appraiser Board (Board).

An AMC, in connection with valuing real property collateralizing mortgage loans, mortgages, or trust deeds incorporated into a securitization, is defined as any external third party that oversees a network or panel of more than fifteen certified or licensed appraisers in this state or twenty-five or more certified or licensed appraisers nationally within a given year and that is authorized, either by a creditor of a consumer credit transaction secured by a consumer's principal dwelling or by an underwriter of or other principal in the secondary mortgage markets: (a) To recruit, select, and retain appraisers; (b) To contract with certified or licensed appraisers to perform real property appraisal activity; (c) To manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors and underwriters for appraisal services provided and reimbursing appraisers for appraisal services performed; or (d) To review and verify the work of appraisers.

LB 410 would require an AMC conducting business in this state to obtain a registration issued by the Board. The bill establishes the information that must accompany an application for registration, including certification that the person seeking registration (a) has a system and process in place to verify that an appraiser selected to the appraiser panel of the person seeking registration holds a license or certification in good standing in this state pursuant to the Act; (b) requires appraisers completing appraisal services at the person's request to comply with the Uniform Standards of Professional Appraisal Practice, including the requirements for geographic and product competence; (c) has a system in place to verify that only licensed or certified appraisers are used for federally related transactions; (d) has a system in place to require that appraisals are conducted independently and free from inappropriate influence and coercion as required by the appraisal independence standards established under section 129E of the federal Truth in Lending Act, including the requirements for payment of a reasonable and customary fee to appraisers when the appraisal management company is providing appraisal services for a consumer credit transaction secured by the principal dwelling of a consumer; and (e) maintains a detailed record of each request for appraisal services that it receives and the appraiser that performs the residential real estate appraisal services for the appraisal management company.

LB 410 also provides for biennial registration and renewals for AMCs and establishes maximum fees for such registrations and renewals. The bill contains specific exemptions from its coverage for (a) a person that exclusively employs persons for the performance of appraisal services; (b) an AMC that is owned and controlled

by a financial institution regulated by a federal financial institution regulatory agency; (c) an appraiser that enters into an agreement, written or oral, with an appraiser for the performance of appraisal services if upon the completion of the appraisal services the appraisal report is signed by both the appraiser who completed the appraisal services and the appraiser who requested the appraisal services; and (d) a relocation management company.

The bill establishes limitations on an ownership of an AMC and requires any owner of more than 10 percent of an AMC to submit and pay the cost of a national criminal history record information check to be carried out by the Board.

LB 410 places certain restrictions on the ability of an AMC to remove an appraiser from its appraisal panel and authorizes an appraiser removed from an AMC panel to file a complaint with the Board for a review of the action. The Act also grants the Board authority to censure an AMC, suspend or revoke its registration or levy fines or impose civil penalties not to exceed \$5,000 for specified violations. The bill would require an AMC to report to the Board if the AMC has a reasonable basis to believe that an appraiser has failed to comply with applicable laws or the Uniform Standards of Professional Appraisal Practice if the failure to comply is material.

Finally, LB 410 would add a member to the Board to represent the AMC industry.

**Principal Introducer:** \_\_\_\_\_

**Senator Dennis Utter**