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State differences in registering an Appraisal Management Co. - by Allan Cohen

May 10, 2019 - Appraisal & Consulting

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I have seen the form used by New Hampshire for registering as an Appraisal Management Company (AMC) and it is simple. Complete the form, pay the fee and be registered. This is similar to Maine, Rhode Island, Connecticut, and Vermont. There is no form for Massachusetts; the state is behind schedule in registering AMC's and now faces a deadline.

New Hampshire's registration fee is \$900 for the original application and \$800 for renewal. Many companies have been renewing while Massachusetts has yet to establish registration. NH's form requires information about individuals running the company and investors owning more than 10%. The state also requires applicants to certify each appraiser it uses complies with USPAP, that employees and owners of the company will not apply improper influence to their panel of independent appraisers, and that the AMC will adhere to other thoughtful business practices. Criminal background checks are also required.

Registration seems routine and revenue neutral for the state.

So why is registration not routine in Massachusetts? The simple answer is AMC licensing does not exist here yet. Despite six years of discussions and MBREA paving a straightforward, unhindered path for passage, the state's house and senate have not agreed on language and the governor has not received a bill ready for his signature.

AMC registration is a nationwide licensing requirement with an August 2019 deadline. AMC registration comes right out of Dodd-Frank Wall Street Reform and Consumer Protection Act. Dodd-Frank is the Wall Street reform, bank bailout and overhaul of the financial regulatory system bill enacted in 2010. Co-author Dodd is Chris Dodd, former senator from Connecticut, and Frank is our very own Barney Frank, former congressman from Newton. Dodd and Frank co-wrote the bill following the 2008 financial crisis to save financial institutions and the banking system. Forty-nine states have AMC registration in place.

Within their 2,300 pages of names, definitions, reforms, and regulations is Section 1471 – Property Appraisal Requirements through Section 1476 – Appraisal Methods. This area of Dodd-Frank reforms lending practices, appraisal work, inserts appraisal management companies, and re-defines relationships between lender-appraiser-consumer. Specific in its language about firewalls, Dodd-Frank gave impetus to the use of AMC's acting as an intermediary between lenders and appraisers. The goal is to protect consumers and avoid having financial institutions fall back into poor lending practices. Using an AMC as a firewall reduces the frequency of relational lending and influencing appraisers to meet valuation targets or certain values.

Currently, House Bill No. 1114 - An Act relative to appraisal management companies, has been referred to the joint committee on financial services. A hearing on May 2 was brief but productive. Testimony given by MBREA's Steve Sousa and a panel of bankers and finance professionals focused on the urgency of the bill and the potential shutdown of Massachusetts mortgage lenders if the bill fails to be signed and enacted by the August 10, 2019 deadline. Joining Sousa at the hearing were Tom O'Grady of Protek Evaluation Services, a prominent AMC, Mary Ann Clancy from Cooperative Credit Union Association, Jon Skarin from The Massachusetts Bankers Association, and Deb Sousa from Massachusetts Mortgage Bankers Association. The panel represents five different stakeholders and points of view within the mortgage business. The group does not agree on many business practices, but they were in unison for rapid passage of AMC legislation.

There is no opposition to this bill. Lead sponsor is representative Tom Stanley of Waltham. Thirty-eight additional state representatives and senators co-sponsored the bill. The state seems to get the urgency. Dodd-Frank initially allowed for AMC registration within 36 months of the publication of regulations. A twelve month extension was allowed provided the state demonstrated progress towards enactment. The Feds moved the deadline, reportedly for the last time, to August 10, 2019.

Sousa made a similar pitch to the committee this past March. That was a warm up. On May 2nd, Steve and his panel tossed the ball right to the committee for them to connect with his message.

In the prior two-year legislative session, an AMC bill (H. 4566) was engrossed by the House in June 2018 and subsequently amended and engrossed by the Senate in December. At year's end, the bill lost all momentum and never made it to the governor's desk for his signature. The state has one last chance to comply and avoid a protracted shutdown.

When the bill passes, several steps have to be completed before the Division of Professional Licensure (DPL) sets up its new Board of Registration of Appraisal Management Companies. A process to create, distribute, and receive applications must be set. AMC's have to be notified to stop doing business until they obtain a license. A schedule of fees needs to be established. All of this takes time. Massachusetts' Division of Professional Licensure currently oversees 387,000 individuals and businesses practicing 50 trades and professions in Massachusetts per their website so they are well prepared to take this task on.

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