



General Assembly

February Session, 2010

Raised Bill No. 5221

LCO No. 1157

01157_____GL_

Referred to Committee on General Law

Introduced by:
(GL)

**AN ACT CONCERNING THE REGISTRATION OF APPRAISAL
MANAGEMENT COMPANIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2010*) (a) No appraisal
2 management company shall (1) engage or attempt to engage in
3 business as an appraisal management company in this state, (2)
4 perform or attempt to perform appraisal management services in this
5 state, or (3) advertise or hold itself out as engaging in business as an
6 appraisal management company in this state without first registering
7 with the Department of Consumer Protection. For purposes of this
8 section and sections 2 to 4, inclusive, of this act, "appraisal
9 management company" means any person, partnership, association,
10 limited liability company or corporation that performs appraisal
11 management services and performs more than ten appraisals in this
12 state in a calendar year.

13 (b) Each appraisal management company shall apply to the
14 Commissioner of Consumer Protection, in writing, on a form provided
15 by the commissioner. The application shall include (1) the company's
16 name, business address and telephone number; (2) if such company is

17 domiciled in another state, the name, address and telephone number of
18 the company's agent for service of process in this state, and the
19 Uniform Consent to Service of Process form to be completed by the
20 company; (3) the name, address and telephone number of any person
21 or business entity owning ten per cent or more of an equity interest, or
22 the equivalent, of the company; (4) a certification by the company that
23 no person or business entity named in subdivision (3) of this
24 subsection has had an appraiser license or certificate denied, refused to
25 be renewed, suspended or revoked in any state; (5) the name, address
26 and telephone number of a controlling person of the company who
27 will serve as the main contact for communications between the
28 commissioner and the appraisal management company; (6) the
29 appraiser fee schedules utilized by the company; and (7) any other
30 information the commissioner may require. Each such application shall
31 be accompanied by a fee of two hundred fifty dollars.

32 (c) Before issuing or renewing a certificate of registration, the
33 commissioner shall:

34 (1) Certify that each appraisal management company applying for a
35 certificate of registration has procedures in place to (A) verify that a
36 person being added to the appraiser panel of the company holds a
37 license in good standing in accordance with section 20-509 of the
38 general statutes, (B) maintain detailed records of each appraisal
39 request or order it receives and of the appraiser who performs such
40 appraisal, and (C) review on a periodic basis the work of all appraisers
41 performing appraisals for the company, to ensure that such appraisals
42 are being conducted in accordance with the USPAP;

43 (2) Determine to the commissioner's satisfaction that each person
44 owning more than ten per cent of an appraisal management company
45 is of good moral character and such person has submitted to a
46 background investigation, as deemed necessary by the commissioner;
47 and

48 (3) Determine to the commissioner's satisfaction that the controlling

49 person (A) holds a valid appraiser license or certificate in at least one
50 state, (B) has never had an appraiser license or certificate denied,
51 refused to be renewed, suspended or revoked in any state, (C) is of
52 good moral character, and (D) has submitted to a background
53 investigation, as deemed necessary by the commissioner.

54 (d) (1) The commissioner shall issue a registration number to each
55 appraisal management company registered in this state and shall
56 publish annually a list of appraisal management companies that are
57 registered with the Department of Consumer Protection.

58 (2) Each such company shall state in any advertisement, including
59 any advertisement in a telephone directory or on the Internet, that
60 such company is registered in this state and shall include such
61 company's registration number in any such advertisement.

62 (e) All certificates issued under the provisions of this section shall
63 expire annually. The fee for renewal of a certificate shall be one
64 hundred fifty dollars.

65 Sec. 2. (NEW) (*Effective October 1, 2010*) (a) Each appraisal
66 management company shall certify to the commissioner annually that
67 it maintains a detailed record of each appraisal request or order it
68 receives and of the appraiser who performs such appraisal.

69 (b) Each appraisal management company may audit the appraisals
70 completed by appraisers on its appraiser panel to ensure that such
71 appraisals are being performed in accordance with the USPAP.

72 (c) Upon request by the commissioner, an appraisal management
73 company shall provide a current list of the appraisers included in such
74 company's appraiser panel.

75 (d) (1) Any appraisal management company that utilizes any
76 appraiser fee schedules shall develop such schedules through one or
77 more surveys of the market rates applied to appraisers in this state.
78 Such surveys shall be performed utilizing statistically valid

79 methodologies, techniques and reliable data sources, including, but not
80 limited to, representative samples of appraisers.

81 (2) The commissioner may review any appraiser fee schedule to
82 ensure that such schedule was developed in accordance with
83 subdivision (1) of this subsection. Upon request of the commissioner,
84 an appraisal management company shall disclose to the commissioner
85 the methodologies, techniques and data sources used by such
86 company to determine the amounts listed on such schedule.

87 (3) The commissioner shall make public the results of any appraiser
88 fee schedule review under subdivision (2) of this subsection.

89 Sec. 3. (NEW) (*Effective October 1, 2010*) (a) No appraisal
90 management company applying for a certificate of registration shall:

91 (1) Be more than ten per cent owned by any person who has had an
92 appraiser license or certificate denied, refused to be renewed,
93 suspended or revoked in any state;

94 (2) Be owned by any partnership, association, limited liability
95 company or corporation that is more than ten per cent owned by any
96 person who has had an appraiser license or certificate denied, refused
97 to be renewed, suspended or revoked in any state;

98 (3) Employ any person who has had an appraiser license or
99 certificate denied, refused to be renewed, suspended or revoked; or

100 (4) Enter into any contract, agreement or other business
101 arrangement, whether oral, written or any other form, with (A) any
102 person who has had an appraiser license or certificate denied, refused
103 to be renewed, suspended or revoked, or (B) any partnership,
104 association, limited liability company or corporation that employs or
105 has entered into any contract, agreement or other business
106 arrangement, whether oral, written or any other form, with any person
107 who has had an appraiser license or certificate denied, refused to be
108 renewed, suspended or revoked.

109 (b) Any employee of an appraisal management company or any
110 contractor working on behalf of such company who has any
111 involvement in the ordering of appraisals in this state, performance of
112 appraisals in this state or review and analysis of completed appraisals
113 in this state shall be certified or licensed and in good standing
114 pursuant to the provisions of sections 20-500 to 20-528, inclusive, of the
115 general statutes.

116 (c) Except in cases of breach of contract or substandard performance
117 of services, each appraisal management company operating in this
118 state shall make payment to an appraiser for the completion of an
119 appraisal or valuation assignment not later than sixty days after the
120 date on which such appraiser transmits or otherwise provides the
121 completed appraisal or valuation study to the appraisal management
122 company or its assignee.

123 (d) No employee, owner, controlling person, director, officer or
124 agent of an appraisal management company shall influence or attempt
125 to influence the development, reporting or review of an appraisal in
126 any manner, including, but not limited to:

127 (1) Withholding or threatening to withhold timely payment for an
128 appraisal;

129 (2) Withholding or threatening to withhold business from, or
130 demoting, terminating or threatening to demote or terminate, an
131 appraiser;

132 (3) Expressly or impliedly promising future business, promotion or
133 increased compensation to an appraiser;

134 (4) Conditioning an appraisal request or payment of a fee, salary or
135 bonus on the opinion, preliminary estimate, conclusion or valuation to
136 be reached by the appraiser;

137 (5) Requesting that an appraiser provide a predetermined or desired
138 valuation in an appraisal report or estimated values or comparable

139 sales at any time prior to the completion of an appraisal;

140 (6) Providing to an appraiser an anticipated, estimated, encouraged
141 or desired value for a subject property or a proposed or target amount
142 to be loaned to the borrower, except that a copy of the contract to
143 purchase may be provided;

144 (7) Providing or offering to provide to an appraiser or to any person
145 or entity related to the appraiser stock or other financial or
146 nonfinancial benefits;

147 (8) Removing an appraiser from an appraiser panel without prior
148 written notice to such appraiser;

149 (9) Obtaining, using or paying for a subsequent appraisal or
150 ordering an automated valuation model in connection with a mortgage
151 financing transaction unless (A) there is a reasonable basis to believe
152 that the initial appraisal was flawed or tainted and such basis is clearly
153 noted in such transaction file, or (B) such subsequent appraisal or
154 automated valuation model is performed pursuant to a bona fide
155 prefunding or postfunding appraisal review or quality control process;
156 or

157 (10) Using any other act or practice that impairs or attempts to
158 impair an appraiser's independence, objectivity or impartiality.

159 (e) Nothing in subsection (d) of this section shall be construed to
160 prohibit an appraisal management company from requesting that an
161 appraiser provide additional information about the basis for a
162 valuation or correct objective factual errors in an appraisal report.

163 Sec. 4. (NEW) (*Effective October 1, 2010*) (a) Upon the verified
164 complaint in writing of any person concerning a violation by an
165 appraisal management company of the provisions of sections 1 to 3,
166 inclusive, of this act, the Department of Consumer Protection shall
167 investigate such company. Upon a determination by the commissioner
168 that an appraisal management company has made any materially false,

169 fictitious or fraudulent statement or violated any provision of sections
170 1 to 3, inclusive, of this act, the commissioner may deny, refuse to
171 renew, suspend or revoke a certificate of registration issued in
172 accordance with section 1 of this act and may impose a civil penalty of
173 not more than twenty-five thousand dollars.

174 (b) Before denying, refusing to renew, suspending or revoking a
175 certificate of registration or imposing any civil penalty, the
176 commissioner shall give notice and afford an opportunity for hearing.
177 The commissioner shall adopt regulations, in accordance with chapter
178 54 of the general statutes, to carry out the provisions of this section.

179 Sec. 5. (NEW) (*Effective October 1, 2010*) The Commissioner of
180 Consumer Protection may adopt regulations, in accordance with
181 chapter 54 of the general statutes, to carry out the provisions of
182 sections 1 to 4, inclusive, of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2010</i>	New section
Sec. 2	<i>October 1, 2010</i>	New section
Sec. 3	<i>October 1, 2010</i>	New section
Sec. 4	<i>October 1, 2010</i>	New section
Sec. 5	<i>October 1, 2010</i>	New section

Statement of Purpose:

To require the registration and regulation of real estate appraisal management companies in this state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]