



General Assembly

**Substitute Bill No. 13**

February Session, 2010

\* \_\_\_\_\_SB00013JUD\_\_\_042010\_\_\_\_\_\*

**AN ACT CONCERNING REAL ESTATE APPRAISAL MANAGEMENT COMPANIES.**

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

1 Section 1. Section 20-500 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2010*):

3 As used in sections 20-500 to 20-528, inclusive, as amended by this  
4 act, and sections 2 to 7, inclusive, of this act, unless the context  
5 otherwise requires:

6 (1) "Appraisal" means the practice of developing an opinion of the  
7 value of real property, in conformance with the USPAP.

8 [(1)] (2) "Appraisal Foundation" means the not-for-profit  
9 corporation referred to in Section 1121 of Title XI of FIRREA.

10 (3) "Appraisal management company" means any person,  
11 partnership, association, limited liability company or corporation that  
12 performs appraisal management services. "Appraisal management  
13 company" does not include:

14 (A) An appraiser that enters into a written or oral agreement with  
15 another appraiser for the performance of an appraisal, which is signed  
16 by both appraisers upon completion;

17 (B) An appraisal management company that (i) is wholly owned by  
18 a financial institution subject to regulation by an agency or department  
19 of the United States government or an agency of this state, and (ii) only  
20 receives appraisal requests from an employee of such financial  
21 institution. For the purposes of this subdivision, "financial institution"  
22 means a bank, as defined in section 36a-2, an out-of-state bank, as  
23 defined in section 36a-2, an institutional lender, any subsidiary or  
24 affiliate of such bank, out-of-state bank or institutional lender, or other  
25 lender licensed by the Banking Department;

26 (C) A department or unit of a financial institution subject to  
27 regulation by an agency or department of the United States  
28 government or an agency of this state that only receives appraisal  
29 requests from an employee of such financial institution; or

30 (D) Any local, state or federal agency or department thereof.

31 (4) "Appraisal management services" means any of the following:

32 (A) The administration of an appraiser panel;

33 (B) The recruitment of certified or licensed appraisers to be part of  
34 an appraiser panel, including, but not limited to, the negotiation of fees  
35 to be paid to, and services to be provided by, such appraisers for their  
36 participation on such panel; or

37 (C) The receipt of an appraisal request or order and the delivery of  
38 such request or order to an appraiser panel.

39 (5) "Appraiser panel" means a network of appraisers who are  
40 certified or licensed in accordance with the requirements established  
41 by the commission by regulation, who are independent contractors of  
42 an appraisal management company and who have:

43 (A) Responded to an invitation, request or solicitation from an  
44 appraisal management company to perform appraisals (i) requested or  
45 ordered through such company, or (ii) directly for such company on a

46 periodic basis as assigned by the company; and

47 (B) Been selected and approved by such company.

48 [(2)] (6) "Certified appraiser" means a person who has satisfied the  
49 minimum requirements for a category of certification established by  
50 the commission by regulation. Such minimum requirements shall be  
51 consistent with guidelines established by the Appraisal Qualification  
52 Board of the Appraisal Foundation. The categories of certification shall  
53 include, but may be modified by the commission thereafter, one  
54 category denoted as "certified residential appraiser" and another  
55 denoted as "certified general appraiser".

56 [(3)] (7) "Limited appraiser" means a person who held a real estate  
57 appraisal license as of January 1, 1991, and has satisfied the minimum  
58 requirements for a license as a limited appraiser as established by the  
59 commission by regulation. The categories of limited appraisal shall  
60 include one category denoted as "limited residential appraiser" and  
61 another denoted as "limited general appraiser".

62 [(4)] (8) "Commission" means the Connecticut Real Estate Appraisal  
63 Commission appointed under the provisions of section 20-502.

64 (9) "Commissioner" means the Commissioner of Consumer  
65 Protection.

66 (10) "Compliance manager" means a person who holds an appraiser  
67 license or certificate in at least one state and who is responsible for  
68 overseeing the implementation of, and compliance with, procedures  
69 for an appraisal management company to:

70 (A) Verify that a person being added to the appraiser panel of the  
71 company holds a license in good standing in accordance with section  
72 20-509;

73 (B) Maintain detailed records of each appraisal request or order the  
74 company receives and of the appraiser who performs such appraisal;

75 and

76 (C) Review on a periodic basis the work of all appraisers performing  
77 appraisals for the company to ensure that such appraisals are being  
78 conducted in accordance with the USPAP.

79 (11) "Controlling person" means a person who has not had an  
80 appraiser license or certificate denied, refused to be renewed,  
81 suspended or revoked in any state and who:

82 (A) Is an owner, officer or director of a partnership, association,  
83 limited liability company or corporation offering or seeking to offer  
84 appraisal management services in this state;

85 (B) Is employed by an appraisal management company and has the  
86 authority to enter into contracts or agreements for the performance of  
87 appraisal management services or appraisals, or is appointed or  
88 authorized by such company to enter into such contracts or  
89 agreements; or

90 (C) May exercise authority over or direct the management or  
91 policies of an appraisal management company.

92 [(5)] (12) "Engaging in the real estate appraisal business" means the  
93 act or process of estimating the value of real estate for a fee or other  
94 valuable consideration.

95 [(6)] (13) "FIRREA" means the Financial Institutions, Reform,  
96 Recovery and Enforcement Act of 1989, P.L. 101-73, 103 Stat. 183.

97 [(7)] (14) "Licensed appraiser" means a person who has satisfied the  
98 minimum requirements for a category of licensing, other than licensed  
99 limited appraiser, established by the commission by regulation. Such  
100 minimum requirements may be consistent with guidelines established  
101 by the Appraisal Qualification Board of the Appraisal Foundation. The  
102 categories of licensing shall include, but may be modified by the  
103 commission thereafter, one category denoted as "licensed residential

104 appraiser" and another denoted as "licensed general appraiser".

105       [(8)] (15) "Person" means any individual.

106       [(9)] (16) "Provisional appraiser" means a person engaged in the  
107 business of estimating the value of real estate for a fee or other  
108 valuable consideration under the supervision of a licensed or certified  
109 real estate appraiser and who meets the minimum requirements, if  
110 any, established by the commission by regulation for provisional  
111 appraiser status.

112       [(10)] (17) "Real estate appraiser" or "appraiser" means a person  
113 engaged in the business of estimating the value of real estate for a fee  
114 or other valuable consideration.

115       (18) "USPAP" means the Uniform Standards of Professional  
116 Appraisal Practice as developed by the Appraisal Foundation.

117       Sec. 2. (NEW) (*Effective October 1, 2010*) (a) No appraisal  
118 management company shall (1) engage or attempt to engage in  
119 business as an appraisal management company in this state; (2)  
120 perform or attempt to perform appraisal management services in this  
121 state; or (3) advertise or hold itself out as engaging in business as an  
122 appraisal management company in this state without first registering  
123 with the Department of Consumer Protection.

124       (b) Each appraisal management company shall apply to the  
125 Commissioner of Consumer Protection, in writing, on a form provided  
126 by the commissioner. The application shall include (1) the company's  
127 name, business address and telephone number; (2) if such company is  
128 domiciled in another state, the name, address and telephone number of  
129 the company's agent for service of process in this state, and the  
130 Uniform Consent to Service of Process form to be completed by the  
131 company; (3) the name, address and telephone number of any person  
132 or business entity owning ten per cent or more of an equity interest, or  
133 the equivalent, of the company; (4) a certification by the company that  
134 no person or business entity named in subdivision (3) of this

135 subsection has had an appraiser license or certificate denied, refused to  
136 be renewed, suspended or revoked in any state; (5) the name, address  
137 and telephone number of a controlling person of the company who  
138 will serve as the main contact for communications between the  
139 commissioner and the appraisal management company; (6) the name,  
140 address and telephone number of a compliance manager of the  
141 company; and (7) any other information the commissioner may  
142 require. Each such application shall be accompanied by a fee of one  
143 thousand dollars.

144 (c) Before issuing or renewing a certificate of registration, the  
145 commissioner may:

146 (1) Certify that each appraisal management company applying for a  
147 certificate of registration has procedures in place to (A) verify that a  
148 person being added to the appraiser panel of the company holds a  
149 license in good standing in accordance with section 20-509 of the  
150 general statutes, (B) maintain detailed records of each appraisal  
151 request or order it receives and of the appraiser who performs such  
152 appraisal, and (C) review on a periodic basis the work of all appraisers  
153 performing appraisals for the company, to ensure that such appraisals  
154 are being conducted in accordance with the USPAP;

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

160 (3) Determine to the commissioner's satisfaction that the controlling  
161 person (A) has never had an appraiser license or certificate denied,  
162 refused to be renewed, suspended or revoked in any state, (B) is of  
163 good moral character, and (C) has submitted to a background  
164 investigation, as deemed necessary by the commissioner.

165 (d) The commissioner shall issue a registration number to each

166 appraisal management company registered in this state and shall  
167 publish annually a list of appraisal management companies that are  
168 registered with the Department of Consumer Protection.

169 (e) All certificates of registration issued under the provisions of this  
170 section shall expire biennially. The fee for renewal of a certificate of  
171 registration shall be one thousand dollars.

172 Sec. 3. (NEW) (*Effective October 1, 2010*) (a) Each appraisal  
173 management company shall certify annually to the commissioner that  
174 it maintains a detailed record of each appraisal request or order it  
175 receives and of the appraiser who performs such appraisal.

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

179 (c) Each appraisal management company shall disclose to a client  
180 prior to providing, or along with, the appraisal report (1) the dollar  
181 amount of the total compensation to be paid by such company to the  
182 appraiser who performed the appraisal; and (2) the dollar amount of  
183 the total compensation to be retained by such company from the  
184 appraisal fee paid to such company for such appraisal.

185 (d) No appraisal management company shall prohibit or attempt to  
186 prohibit an appraiser from including or referencing in an appraisal  
187 report the appraisal fee, the name of the appraisal management  
188 company or the client or lender's name or identity.

189 Sec. 4. (NEW) (*Effective October 1, 2010*) (a) No appraisal  
190 management company applying for a certificate of registration shall:

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

194 (2) Be owned by any partnership, association, limited liability

195 company or corporation that is more than ten per cent owned by any  
196 person who has had an appraiser license or certificate denied, refused  
197 to be renewed, suspended or revoked in any state;

198 (3) Employ any person to perform job functions related to the  
199 ordering, preparation, performance or review of appraisals who has  
200 had an appraiser license or certificate denied, refused to be renewed,  
201 suspended or revoked; or

202 (4) Enter into any contract, agreement or other business  
203 arrangement, written or oral, for the procurement of appraisal services  
204 in this state, with (A) any person who has had an appraiser license or  
205 certificate denied, refused to be renewed, suspended or revoked, or (B)  
206 any partnership, association, limited liability company or corporation  
207 that employs or has entered into any contract, agreement or other  
208 business arrangement, whether oral, written or any other form, with  
209 any person who has had an appraiser license or certificate denied,  
210 refused to be renewed, suspended or revoked.

211 (b) Any employee of an appraisal management company or any  
212 contractor working on behalf of such company who has any  
213 involvement in the performance of appraisals in this state or review  
214 and analysis of completed appraisals in this state shall be licensed or  
215 certified and in good standing pursuant to the provisions of sections  
216 20-500 to 20-528, inclusive, of the general statutes, as amended by this  
217 act. This subsection shall not prohibit an individual who is not so  
218 licensed or certified from performing job functions that (1) are  
219 confined to an examination of an appraisal or an appraisal report for  
220 grammatical, typographical or clerical errors, and (2) do not involve  
221 the formulation of opinions or comments about (A) the appraiser's  
222 data collection, analyses, opinions, conclusions or valuation, or (B)  
223 compliance of such appraisal or appraisal report with the USPAP.

224 (c) Except in cases of breach of contract or substandard performance  
225 of services or where the parties have mutually agreed upon an  
226 alternate payment schedule in writing, each appraisal management

227 company operating in this state shall make payment to an appraiser  
228 for the completion of an appraisal or valuation assignment not later  
229 than sixty days after the date on which such appraiser transmits or  
230 otherwise provides the completed appraisal or valuation study to the  
231 appraisal management company or its assignee.

232 (d) No employee, owner, controlling person, director, officer or  
233 agent of an appraisal management company shall intentionally  
234 influence, coerce or encourage or attempt to influence, coerce or  
235 encourage, an appraiser to misstate or misrepresent the value of a  
236 subject property, by any means, including:

237 (1) Withholding or threatening to withhold timely payment for an  
238 appraisal;

239 (2) Withholding or threatening to withhold business from, or  
240 demoting, terminating or threatening to demote or terminate, an  
241 appraiser;

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

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

247 (5) Requesting that an appraiser provide a predetermined or desired  
248 valuation in an appraisal report or estimated values or comparable  
249 sales at any time prior to the completion of an appraisal;

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

254 (7) Providing or offering to provide to an appraiser or to any person  
255 or entity related to the appraiser stock or other financial or

256 nonfinancial benefits;

257 (8) Removing an appraiser from an appraiser panel without prior  
258 written notice to such appraiser as set forth in section 5 of this act;

259 (9) Obtaining, using or paying for a subsequent appraisal or  
260 ordering an automated valuation model in connection with a mortgage  
261 financing transaction unless (A) there is a reasonable basis to believe  
262 that the initial appraisal was flawed or tainted and such basis is clearly  
263 noted in such transaction file, or (B) such subsequent appraisal or  
264 automated valuation model is performed pursuant to a bona fide  
265 prefunding or postfunding appraisal review, loan underwriting or  
266 quality control process; or

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

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

273 Sec. 5. (NEW) (*Effective October 1, 2010*) (a) Except within the first  
274 thirty days after an appraiser is initially added to an appraiser panel of  
275 an appraisal management company, such company shall not remove  
276 an appraiser from its appraiser panel or otherwise refuse to assign  
277 requests or orders for appraisals without:

278 (1) Notifying the appraiser in writing of the reasons why the  
279 appraiser is being removed;

280 (2) If the appraiser is being removed for alleged illegal conduct,  
281 violation of the USPAP or violation of state licensing standards,  
282 notifying the appraiser in writing of the nature of the alleged conduct  
283 or violation; and

284 (3) Providing the appraiser with an opportunity to respond to such

285 notice.

286 (b) (1) Any appraiser who is removed from an appraiser panel  
287 of an appraisal management company for alleged illegal conduct,  
288 violation of the USPAP or violation of state licensing standards may  
289 file a complaint with the commissioner and request a review of the  
290 removal decision, except that the commissioner shall not make any  
291 determination regarding the nature of the business relationship  
292 between the appraiser and the appraisal management company that is  
293 unrelated to the actions specified in subsection (a) of this section.

294 (2) If an appraiser files a complaint against an appraisal management  
295 company pursuant to subdivision (1) of this subsection, the  
296 commissioner shall notify such company not later than ten days after  
297 such complaint is filed. The commissioner may schedule a hearing and  
298 shall render a decision not later than one hundred eighty days after the  
299 date such complaint is filed.

300 (3) If the commissioner determines to the commissioner's  
301 satisfaction that the appraiser did not engage in illegal conduct, violate  
302 the USPAP or violate state licensing standards, the commissioner  
303 shall order such appraiser to be reinstated to the appraiser panel of  
304 the appraisal management company.

305 (4) The appraisal management company that was the subject of  
306 the complaint shall not (A) refuse to assign requests or orders for  
307 appraisals or reduce the number of assignments to the reinstated  
308 appraiser, or (B) otherwise penalize the reinstated appraiser.

309 Sec. 6. (NEW) (*Effective October 1, 2010*) (a) Upon the verified  
310 complaint, in writing, of any person concerning a violation by an  
311 appraisal management company of the provisions of sections 2 to 5,  
312 inclusive, of this act, the Department of Consumer Protection may  
313 investigate such company. Upon a determination by the commissioner  
314 that an appraisal management company has made any materially false,  
315 fictitious or fraudulent statement or violated any provision of sections

316 2 to 5, inclusive, of this act, the commissioner may deny, refuse to  
317 renew, suspend or revoke a certificate of registration issued in  
318 accordance with section 2 of this act and may impose a civil penalty of  
319 not more than twenty-five thousand dollars.

320 (b) Before denying, refusing to renew, suspending or revoking a  
321 certificate of registration or imposing any civil penalty, the  
322 commissioner shall give notice and afford an opportunity for hearing  
323 in accordance with chapter 54 of the general statutes.

324 (c) Any person aggrieved by any decision or order of the  
325 commissioner under this section may appeal therefrom in accordance  
326 with section 4-183 of the general statutes.

327 Sec. 7. (NEW) (*Effective October 1, 2010*) The Commissioner of  
328 Consumer Protection may adopt regulations, in accordance with  
329 chapter 54 of the general statutes, to carry out the provisions of  
330 sections 2 to 5, inclusive, of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2010</i>	20-500
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
Sec. 6	<i>October 1, 2010</i>	New section
Sec. 7	<i>October 1, 2010</i>	New section

**JUD**      *Joint Favorable Subst.*