



General Assembly

February Session, 2010

Raised Bill No. 228

LCO No. 1017

01017_____BA_

Referred to Committee on Banks

Introduced by:
(BA)

AN ACT CONCERNING APPRAISAL REFORM.

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

1 Section 1. Section 36a-20 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2010*):

3 If any person subject to the general supervision of the commissioner
4 owns real property, or if real property taxes on any property
5 mortgaged to secure a loan with any such person are more than one
6 year in arrears, or if any such mortgage loan is more than one year in
7 arrears as to either interest or required principal payments, the
8 commissioner may employ an expert real estate appraiser licensed in
9 accordance with the provisions of chapter 400g at the expense of such
10 person to appraise such real estate owned by or mortgaged to such
11 person.

12 Sec. 2. Subsection (b) of section 36a-260 of the general statutes is
13 repealed and the following is substituted in lieu thereof (*Effective*
14 *October 1, 2010*):

15 (b) At least once a year, the governing board of each Connecticut

16 bank shall adopt a loan policy governing loans made pursuant to
17 sections 36a-260 to 36a-266, inclusive, as amended by this act. The
18 governing board of each Connecticut bank shall develop and
19 implement internal controls that are reasonably designed to ensure
20 compliance with such loan policy. The loan policy shall require
21 applications for all loans, and address the categories and types of
22 secured and unsecured loans offered by the bank, the manner in which
23 loans will be made and approved, underwriting guidelines and
24 collateral requirements, and, in accordance with safety and soundness,
25 acceptable standards for title review, title insurance and appraiser
26 qualifications, policies for the approval and selection of appraisers,
27 appraisal and evaluation standards, and the bank's administration of
28 the appraisal and evaluation process. Such standards shall include the
29 following: (1) A requirement that only real estate appraisers licensed in
30 accordance with the provisions of chapter 400g may charge a fee in
31 connection with a real estate appraisal, (2) a prohibition against a real
32 estate appraiser sharing such appraiser's fee with any one other than a
33 real estate appraiser licensed in accordance with the provisions of
34 chapter 400g, and (3) a requirement that every real estate appraiser
35 incorporate into the appraisal report such appraiser's invoice reflecting
36 the actual fee charged by such appraiser for performing the real estate
37 appraisal and provide the loan applicant with a copy of such invoice.
38 The loan policy and any loan made pursuant to the policy shall be
39 subject to the examination of the commissioner concerning safe and
40 sound banking practices.

41 Sec. 3. Subsection (e) of section 36a-261 of the general statutes is
42 repealed and the following is substituted in lieu thereof (*Effective*
43 *October 1, 2010*):

44 (e) The real estate shall be appraised or otherwise suitably
45 evaluated, before any loan is made on its security, by one or more
46 suitable persons who are familiar with real estate values in the
47 community where the real estate is located. Such persons shall be
48 licensed in accordance with the provisions of chapter 400g and

49 approved by the governing board of the Connecticut bank making the
50 loan, or by a management committee, board committee or agent
51 appropriately designated by such governing board in accordance with
52 the appraisal policy required by this subsection, provided, if the loan
53 under consideration is a loan to be insured or guaranteed by a
54 governmental agency, the appraiser may be one who appraised the
55 property for the governmental agency. Such appraisal or evaluation
56 shall be in writing, shall state the amount at which the property has
57 been appraised or evaluated and shall be filed with the Connecticut
58 bank until the loan is paid or until the loan is sold. Connecticut banks
59 shall adopt and implement an appraisal policy which reflects, in
60 accordance with safe and sound banking principles, consideration of
61 appraiser qualifications, procedures for the approval and selection of
62 appraisers, appraisal and evaluation standards, and the bank's
63 administration of the appraisal and evaluation process. Such policy
64 shall (1) prohibit the appraiser from sharing an appraiser's fee with
65 anyone other than a real estate appraiser who has been licensed in
66 accordance with the provisions of chapter 400g; and (2) require the
67 appraiser to incorporate into the appraisal report an invoice reflecting
68 the actual fee charged by the appraiser for performing the real estate
69 appraisal and provide a copy of such invoice to the loan applicant.

70 Sec. 4. Subsection (a) of section 36a-457a of the general statutes is
71 repealed and the following is substituted in lieu thereof (*Effective*
72 *October 1, 2010*):

73 (a) A Connecticut credit union shall adopt and implement a written
74 loan policy that requires written applications for all extensions of
75 credit, and addresses the categories and types of secured and
76 unsecured extensions of credit offered by the credit union, the manner
77 in which mortgage loans, member business loans and insider loans
78 will be made and approved, underwriting guidelines and collateral
79 requirements, and which addresses, in accordance with safety and
80 soundness, acceptable standards for title review, title insurance and
81 appraiser qualifications, procedures for the approval and selection of

82 appraisers, appraisal and evaluation standards, and the credit union's
83 administration of the appraisal and evaluation process. Such standards
84 shall include the following: (1) A requirement that only real estate
85 appraisers licensed in accordance with the provisions of chapter 400g
86 may charge a fee in connection with a real estate appraisal, (2) a
87 prohibition against a real estate appraiser sharing such appraiser's fee
88 with any one other than a real estate appraiser licensed in accordance
89 with the provisions of chapter 400g, and (3) a requirement that every
90 real estate appraiser incorporate into the appraisal report such
91 appraiser's invoice reflecting the actual fee charged by such appraiser
92 for performing the real estate appraisal and provide the loan applicant
93 with a copy of such invoice. The commissioner may review a
94 Connecticut credit union's loan policy and may order changes to be
95 made to ensure safe and sound lending practices.

96 Sec. 5. Subsection (c) of section 36a-457b of the general statutes is
97 repealed and the following is substituted in lieu thereof (*Effective*
98 *October 1, 2010*):

99 (c) The real estate shall be appraised or otherwise suitably evaluated
100 before any mortgage loan is made on its security, by one or more
101 suitable persons who are familiar with real estate values in the
102 community where the real estate is located. Such persons shall be
103 licensed in accordance with the provisions of chapter 400g and
104 approved by the governing board of the Connecticut credit union
105 making the loan, or any board-appointed committee or person
106 appropriately designated by such governing board in accordance with
107 the loan and insider policies of the Connecticut credit union, provided
108 if the loan under consideration is a loan to be insured or guaranteed by
109 a governmental agency, the appraiser may be one who appraised the
110 real estate for the governmental agency. Such appraisal or evaluation
111 shall be in writing, state the amount at which the real estate has been
112 appraised or evaluated and be filed with the lending Connecticut
113 credit union until the loan is paid or sold. The appraiser shall not share
114 such appraiser's fee for performing the appraisal with anyone other

115 than a real estate appraiser who has been licensed in accordance with
116 the provisions of chapter 400g. The appraiser shall incorporate into the
117 appraisal report an invoice reflecting the actual fee charged by such
118 appraiser for performing the real estate appraisal and provide a copy
119 of such invoice to the loan applicant.

120 Sec. 6. Section 36a-755 of the general statutes is repealed and the
121 following is substituted in lieu thereof (*Effective October 1, 2010*):

122 (a) As used in this section:

123 (1) "Applicant" means a natural person who applies for a mortgage
124 loan;

125 (2) "Financial institution" means a bank, out-of-state bank,
126 Connecticut credit union, federal credit union, out-of-state credit
127 union, mortgage lender, mortgage correspondent lender or mortgage
128 broker licensee; and

129 (3) "Mortgage loan" means a loan to be secured by a mortgage on
130 one, two, three or four family residential real property, including a
131 unit of a condominium.

132 (b) Any financial institution which directly or indirectly imposes a
133 fee on any applicant for an appraisal on real property to secure a
134 mortgage loan shall make available to such applicant at no charge a
135 copy of the appraisal report promptly after the financial institution's
136 receipt of the applicant's written request for a copy of the appraisal
137 report, provided the financial institution receives the written request
138 not later than ninety days after the financial institution has provided
139 the applicant with notice of action taken on the applicant's application
140 or not later than ninety days after the application is withdrawn by the
141 applicant, as applicable.

142 (c) Any financial institution which directly or indirectly imposes a
143 fee on any applicant for an appraisal shall either (1) notify such
144 applicant in writing of the availability of a copy of the appraisal report

145 or (2) provide such applicant with a copy of the appraisal report at no
146 charge, such notice or copy to be provided not later than ten days after
147 receipt of the appraisal report, but in any event not later than the date
148 on which the sale of such property is to be consummated.

149 (d) Any person who prepares such appraisal report shall not be
150 liable to any person with whom the preparer has not contracted to
151 make such appraisal report for opinions or facts stated in or omitted
152 from such appraisal report, unless such statement or omission results
153 from intentional misrepresentation.

154 (e) Any financial institution which directly or indirectly imposes a
155 fee on any applicant for an appraisal shall provide such applicant with
156 a copy of an invoice reflecting the actual fee charged by the appraiser
157 for performing the appraisal, such copy to be provided to the applicant
158 not later than ten days after receipt of the invoice by the financial
159 institution.

160 [(e)] (f) The commissioner may adopt such regulations pursuant to
161 chapter 54 as the commissioner deems necessary to carry out the
162 provisions of this section.

163 Sec. 7. (NEW) (*Effective October 1, 2010*) (a) Only real estate
164 appraisers who are licensed in accordance with the provisions of
165 chapter 400g of the general statutes may charge a fee for performing a
166 real estate appraisal in this state.

167 (b) No real estate appraiser shall share such appraiser's fee for
168 performing a real estate appraisal in this state with anyone other than
169 a real estate appraiser who is licensed in accordance with the
170 provisions of chapter 400g of the general statutes.

171 (c) A real estate appraiser shall incorporate into the appraisal report
172 an invoice reflecting the actual fee charged by such appraiser for
173 performing the real estate appraisal and provide a copy of such invoice
174 to the owner of such real estate or the mortgage loan applicant.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2010</i>	36a-20
Sec. 2	<i>October 1, 2010</i>	36a-260(b)
Sec. 3	<i>October 1, 2010</i>	36a-261(e)
Sec. 4	<i>October 1, 2010</i>	36a-457a(a)
Sec. 5	<i>October 1, 2010</i>	36a-457b(c)
Sec. 6	<i>October 1, 2010</i>	36a-755
Sec. 7	<i>October 1, 2010</i>	New section

Statement of Purpose:

To require real estate appraisers to be licensed in accordance with the provisions of chapter 400g of the general statutes before they are allowed to charge a fee for performing appraisals and to ensure transparency with regard to the fees charged by such appraisers.

[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.]