

IMPORTANT: Read instructions on back of last page (Certification Page) before completing this form. Failure to comply with instructions may cause disapproval of proposed Regulations

State of Connecticut
REGULATION
of

NAME OF AGENCY

DEPARTMENT OF CONSUMER PROTECTION

Concerning

SUBJECT MATTER OF REGULATION

Appraisal Management Companies

(NEW) Section 1. The Regulations of Connecticut State Agencies are hereby amended by adding the new chapter heading “Appraisal Management Companies” followed by sections 20-529e-1 through 20-529e-16, inclusive, as follows:

Appraisal Management Companies

Section 20-529e-1. Qualifications for registration.

(a) The Department of Consumer Protection hereby establishes the requirements for the registration of appraisal management companies. Registrations shall be granted only to persons or recognized legal entities who have an appropriate knowledge of real estate appraisal practice, are competent to transact the business of an appraisal management company in such manner as to safeguard the interests of the public, and who bear a good reputation for honesty, truthfulness and fair dealing.

Appraisal management companies shall:

- (1) register with and be subject to supervision by the Department of Consumer Protection;
- (2) verify that only certified appraisers or properly licensed provisional appraisers are used to complete appraisals on properties located within the state of Connecticut;
- (3) ensure that all company employees or agents directly involved with the review of appraisals comply with the Uniform Standards of Professional Appraisal Practice (USPAP) as published by The Appraisal Foundation; and
- (4) require that appraisals are conducted independently and free from inappropriate influence, coercion or duress pursuant to Section 20-529b(d) of the Connecticut General Statutes.

(b) An appraisal management company may, after a hearing held pursuant to chapter 54 of the Connecticut General Statutes, be denied registration by the department if ten (10) percent or more of

such company is owned, in whole or in part, directly or indirectly, by any person who has had an appraiser certificate refused, denied, suspended, revoked or surrendered in lieu of revocation in any state or jurisdiction.

(c) The controlling person, compliance manager and each person who owns ten (10) percent or more of an appraisal management company shall be of good moral character, as determined by the department, and shall submit to a criminal background investigation at the discretion of the department. Each individual shall pay all required fees to perform the requested criminal background investigation, or shall provide a certified copy of the criminal background investigation conducted in the applicant's home state. The criminal background investigation shall have been performed within sixty (60) days of the date the completed application for registration, or amendment thereof, is received by the department.

(d) An appraisal management company shall assure that any appraiser being added to its appraiser panel to appraise properties in Connecticut holds a valid Connecticut Certification pursuant to chapter 400g of the Connecticut General Statutes. The appraisal management company shall verify the status of the appraiser by contacting the department and utilizing the National Registry of the Appraisal Subcommittee.

(e) If an appraisal management company has a good faith belief that a real estate appraiser in Connecticut has violated applicable law or the Uniform Standards of Professional Appraisal Practice, or engaged in unethical conduct, it shall file a complaint with the department. The complaint shall be filed within a reasonable time frame, not to exceed two (2) years from the date the appraisal is submitted. A copy of the complaint shall be forwarded by the appraisal management company to the Respondent.

(f) An appraisal management company seeking registration shall demonstrate to the department that each person who approves an appraiser for the company or reviews an appraiser's work for the appraisal management company is a certified appraiser in good standing.

(g) Applications shall be valid for one (1) year from the date of receipt by the department. The one-year period shall not be extended.

Section 20-529e-2. Application procedure.

(a) Appraisal management companies shall be registered with the Secretary of State prior to submitting an application for registration with the department.

(b) An application for registration shall be submitted on a form prescribed by the department using the name of the legal entity under which it conducts the business of appraisal management in Connecticut and in other states.

- (c) An application for registration, or any amendment thereto, shall be accompanied by the required application fee. Application fees accompanying complete applications are not refundable. The department may return to the applicant any application which is incomplete or not accompanied by the required fee or fees.
- (d) Payment of application fees shall be made by certified check, bank check or money order payable to "Treasurer, State of Connecticut," or via an electronic method acceptable to the department.
- (e) Any payment found to be dishonored, having insufficient funds, or being fraudulent or having a like quality shall be returned to the sender and the application associated with that payment shall be denied.
- (f) An appraisal management company shall:
- (1) notify the department of a trade name, d/b/a, or assumed business name under which the registered legal entity operates in Connecticut at the time of registration, or if applicable, immediately upon operating under such trade name, d/b/a, or assumed business name;
 - (2) notify the department when an appraisal management company changes its registered name, trade name, d/b/a, or assumed business name. Said notice shall be in writing and be received by the department within fourteen business days of making the change; and
 - (3) notify the department of any change of contact information within fourteen business days of making the change.
- (g) The department may not register or renew the registration of an appraisal management company that fails to comply with:
- (1) any provision of chapter 400g of the Connecticut General Statutes; or
 - (2) any provision of sections 20-529e-1 through 20-529e-16, inclusive, of the Regulations of Connecticut State Agencies.

Section 20-529e-3. Adherence to standards.

Upon registration with the department and continuing with each renewal thereafter, an appraisal management company shall provide a statement to the department, signed by its designated controlling person, certifying that the appraisal management company verifies that each appraisal assignment is offered to an appraiser who is in good standing per the National Registry. For appraisers acting as independent contractors, the appraisal management company shall:

- (1) ensure the appraisal report is signed by an appraiser included on the appraisal management companies' panel or is an employee appraiser at the time the assignment is offered;
- (2) review work of all appraisers periodically for compliance with the Uniform Standards of Professional Appraisal Practice; and

(3) maintain a record of each appraisal request. Each appraisal request shall include:

- (a) name of appraiser;
- (b) property address;
- (c) borrower's name, where applicable;
- (d) lender's name; and
- (e) date of assignment.

Section 20-529e-4. Recordkeeping.

(a) The statement of recordkeeping required to be filed by an appraisal management company upon registration with the department and annually thereafter shall be signed by its designated controlling person and shall contain:

(1) a description of its system for maintaining required records, including the name of the records custodian and all locations where records are kept; and

(2) a list of all appraisal assignments given by the appraisal management company that have been accepted during the relevant period, together with the names of the individual appraiser or entity who accepted each assignment and the individual appraiser who signed the corresponding appraisal report.

(b) Records required to be maintained pursuant to this section may be kept in an electronic format.

Section 20-529e-5. Required disclosure.

(a) An appraisal management company shall, at the time an assignment is offered, disclose to the appraiser:

(1) the total amount that the appraiser may expect to earn from the assignment, disclosed as a dollar amount;

(2) the property address, or equivalent information that would allow the appraiser to determine whether the appraiser has been involved with any service regarding the subject property within the three years preceding the date on which the assignment is offered;

(3) The assignment conditions and scope of work requirements in sufficient detail to allow the appraiser to determine whether the appraiser is competent to complete the assignment; and

(4) any known deadlines within which the assignment shall be completed.

(b) An appraisal management company shall, at or before the time the appraiser accepts an assignment, obtain the appraiser's acknowledgment as to the appraisal management company's competency requirements as defined by the Uniform Standards of Professional Appraisal Practice.

(c) An appraisal management company may, before requiring the appraiser to submit a completed

report, disclose to the appraiser:

- (1) the total fee that will be collected by the appraisal management company for the assignment; and
- (2) the total amount that the appraisal management company will retain from the fee charged, disclosed as a dollar amount.

(d) The appraisal management company's Connecticut Registration Number shall be included on all external correspondence with Connecticut appraisers.

Section 20-529e-6. Unprofessional conduct.

(a) An appraisal management company commits unprofessional conduct when the appraisal management company:

- (1) intentionally influences or attempts to intentionally influence the development of an appraisal report, review or consulting assignment;
- (2) requires an appraiser to modify any aspect of the appraisal report, unless the modification complies with section 20-529(b) of the Connecticut General Statutes;
- (3) unless first prohibited by the client or applicable law, prohibits or inhibits an appraiser from contacting the client or any other person with whom the appraiser reasonably needs to communicate in order to obtain information necessary to complete a credible appraisal report;
- (4) requires the appraiser to do anything that does not comply with the Uniform Standards of Professional Appraisal Practice or any assignment conditions or certifications required by the client; or
- (5) makes any portion of the appraiser's fee or the appraisal management company's fee contingent on a favorable outcome, including but not limited to a loan closing or a specific dollar amount being achieved by the appraiser in the appraisal report.

(b) A person or entity commits unprofessional conduct when said person or entity:

- (1) presents or attempt to present, as such person's own, the certificate of another; or
- (2) knowingly gives false evidence of a material nature to the commissioner for the purpose of procuring a certificate.

Section 20-529e-7. Controlling person.

(a) After a hearing held pursuant to chapter 54 of the Connecticut General Statutes, no individual shall act as a controlling person, as defined by section 20-500 of the Connecticut General Statutes, of an appraisal management company who has entered a plea of guilty or no contest to, or been convicted of, a felony or has had an appraisal license or certification refused, denied, suspended,

revoked or surrendered in lieu of revocation in Connecticut or any other state pursuant to section 20-500 of the Connecticut General Statutes.

(b) After a hearing held pursuant to chapter 54 of the Connecticut General Statutes, no individual shall act as a controlling person, as defined by section 20-500 of the Connecticut General Statutes, of an appraisal management company who has had a real estate appraisal license or certification, or a certificate or license to engage in any activities related to real estate lending or the transfer of real property refused, denied, suspended, revoked or surrendered in lieu of revocation in any state or jurisdiction.

(c) A controlling person of an appraisal management company that holds a Certificate of Registration who has entered a plea of guilty or no contest to, or been convicted of, a felony, or who has had a real estate appraisal license or certification, or a real estate broker or salesperson license refused, denied, suspended, revoked or surrendered in lieu of revocation in Connecticut or any other state shall report this occurrence to the department within fourteen days of the date said person has knowledge of that fact.

(d) Any controlling person applicant who is licensed or certified as a real estate appraiser in any other jurisdiction shall have a license or certification in good standing in that jurisdiction and provide the department with a certificate of license or certification history.

(e) An appraisal management company shall notify the department within fourteen business days of any change to or addition of a controlling person of the company.

Section 20-529e-8. Compliance manager.

(a) The compliance manager shall be a certified real estate appraiser pursuant to sections 20-500 through 20-528, inclusive, of the Connecticut General Statutes or pursuant to the applicable laws of another state.

(b) The application shall provide the department with information such as the compliance manager's name, mailing and physical addresses, and phone and email contact information, and shall be signed by the compliance manager.

(c) The compliance manager is responsible for:

(1) the retention and maintenance of records relating to appraisals conducted by or on behalf of the appraisal management company;

(2) the maintenance of a record of all appraisers in Connecticut who perform appraisals for the appraisal management company, including a log of payments to appraisers; and

if an appraisal management company intends to change its compliance manager, it shall submit an application for approval of the new compliance manager within fourteen business

days of the effective date of the change.

(d) All records required to be maintained pursuant to sections 20-529e-1 through 20-529e-16, inclusive, of the Regulations of Connecticut State Agencies may be stored and submitted to the department in an electronic form approved by the department.

Section 20-529e-9. Renewals.

(a) Each application for the renewal of a registration shall be made on such forms and in such manner as is prescribed by the department, accompanied by such supporting information as is required by the department.

(b) All registrations expire on the thirty-first day of December, biennially, in even-numbered years.

Section 20-529e-10. Audits.

The department may review and audit the records of applicants, certificate holders, licensees, registered appraisal management companies and persons or entities acting in a capacity that requires a Certificate of Registration, to determine compliance with the requirements of these regulations and applicable state and federal law. Applicants, certificate holders, licensees, registered appraisal management companies and educational providers shall cooperate with the department in the conduct of such audits and provide access during normal business hours to records and any information the department deems reasonably necessary for the completion of an audit.

Section 20-529e-11. Appraisal management company prohibitions and requirements. Payment to appraisers.

(a) Appraisal management companies shall ensure that they adhere to the following business practices when performing appraisal management services for properties located within the state of Connecticut:

(1) Appraisal management companies shall delegate appraisal assignments for completion only to appraisers who possess the certifications required by the department.

(2) Appraisal management companies shall adopt reasonable procedures designed to ensure that all appraisal assignments completed by its independent contractors or employee appraisers are performed in accordance with the Uniform Standards of Professional Appraisal Practice.

(b) Appraisal management companies shall maintain records of each of the following for each appraisal request:

(1) Date of the receipt of the request for the appraisal;

- (2) The name of the person from whom the request was received if not an employee of the client;
- (3) The name of the client for whom the request was made;
- (4) The name of the appraiser or appraisers assigned to perform the contracted service; and
- (5) The date of delivery of the appraisal product to the client.

(c) Appraisal management companies shall maintain records of all appraisal fees dispersed to contracted appraisers and the final fee charged to the lender or client. The appraisal management company is required to pay the appraiser customary and reasonable fees based upon the scope of work involved for comparable appraisal services in the geographic market where the property is located.

(d) An appraisal management company shall not prohibit a contracted appraiser or client from disclosing the fee paid to the appraiser or client for an appraisal assignment in the body of the appraisal report.

(e) Nothing in subsection 20-529e-3 of the Regulations of Connecticut State Agencies shall prohibit an appraisal management company or the client in a real estate transaction from requesting that an appraiser:

- (1) Consider additional appropriate property information including relevant sales comparables not considered in the initial appraisal report;
- (2) Provide further detail, substantiation or explanation of the appraiser's conclusion of value; or
- (3) Correct errors in the appraisal report.

(f) The appraisal management company shall not base the payment of an appraisal fee on a mortgage-related event occurring subsequent to completion of the appraisal.

(g) The appraiser shall not be required to provide the appraisal management company with the appraiser's digital signature.

(h) The appraisal management company shall not alter, amend, or change an appraisal report submitted by a certified appraiser by removing the appraiser's signature or seal or by adding information to or removing information from the appraisal report.

(i) Unless by contractual agreement, the appraisal management company shall not remove an independent appraiser from its panel of approved appraisers without prior written notice that includes evidence which supports the basis of fact that the appraiser has violated the Uniform Standards of Professional Appraisal Practice, Connecticut General Statutes, or other applicable appraisal regulations or evidence which demonstrates substandard performance, improper or unprofessional behavior, or other substantive deficiencies.

(j) The appraiser shall have thirty days to respond to such notice. Such notice shall be sent to the appraiser by registered mail, return receipt requested, to the appraiser's business address contained in the records of the Appraisal Commission.

(k) The commissioner shall make the final determination as to any alleged violations. There shall be no adverse action taken against an appraiser who had been accused of a violation of an applicable section of sections 20-529e-1 through 20-529e-16, inclusive, of the Regulations of Connecticut State Agencies or the underlying statutes upon a finding of no cause by the commissioner. Such actions include, but are not limited to, a reduction in assignments, a reduction in order of appraisals, or otherwise penalizing the reinstated appraiser.

Section 20-529e-12. Fees.

In order to obtain a registration, an entity or person who has met, to the satisfaction of the department, the minimum requirements established by the department for such registration, shall pay to the department the application fees as established:

Appraisal Management Company Fee Schedule

National Registry Listing	As prescribed by the ASC
Application	\$1,000.00
Renewal Fee	\$1,000.00
Late Renewal	\$1,250.00
Certificate of Good Standing	\$25.00
Certification of Documents	\$10.00
Amendment to Application Fee	\$100.00

Section 20-529e-13. Investigations; Penalty; Appeal.

(a) Duty to cooperate with Department. A registration holder shall cooperate with the department staff if the registration holder is contacted in connection with an investigation performed by the department concerning possible violations of the appraisal management statutes or regulations. A registration holder shall not make any untruthful or misleading statements in connection with any department or Commission investigation or hearing.

(b) Any person may request the department to initiate disciplinary action against an applicant, a certified appraiser, registrant or person or entity acting in a capacity requiring a Certificate of Registration as follows:

- (1) The request shall be in writing or submitted in a form prescribed by the commissioner, shall identify the applicant, certified appraiser, or registrant, and shall set forth the nature of the complaint. Such request may, but need not, specify the statutes or regulations alleged to have been violated;
- (2) The complainant shall be notified that a confidential investigation has been commenced within fourteen working days of receipt of the verified complaint; and the complainant shall be notified of final action taken on the complaint.
- (c) If the complaint is not within the jurisdiction of the department, or the department is unable to make a satisfactory disposition of the complaint, the department, if appropriate, shall transmit the complaint, together with any appropriate evidence or information in its possession concerning the complaint to the agency, public or private, whose authority in the opinion of the department will provide the most effective means to secure the relief sought. The department shall notify the complainant of such action and of any other appropriate means which may be available to the complainant to secure relief.
- (d) An investigation may be initiated by the department upon information and belief.
- (e) Before issuing any private or public reprimand or denying, suspending, or revoking any Certificate of Registration issued or issuable under the provisions of these regulations, the department shall proceed as prescribed by chapter 54 of the Administrative Procedure Act and the department shall have all the powers granted therein.
- (f) Any person issued a complaint may contest the complaint by filing a written notice with the department within 30 calendar days that states with specificity the basis of the appeal. Upon receipt of such notice, the department shall proceed as prescribed by chapter 54 the Connecticut General Statutes.

Section 20-529e-14. Penalties; Fines.

- (a) The department, based upon a finding of substantial evidence, may:
- (1) fine an appraisal management company up to twenty-five thousand dollars (\$25,000.00) per offense or;
 - (2) suspend, revoke or fine any appraisal management company up to twenty-five thousand dollars (\$25,000.00) per complaint pursuant to section 20-529(c) of the General Statutes.
- Upon the verified complaint, in writing, of any person concerning a violation by an appraisal management company of the provisions of sections 20-529 to 20-529c, inclusive, the department may investigate such company.
- (b) Upon a determination by the department that an appraisal management company has made any

materially false, fictitious or fraudulent statement or violated any provision of sections 20-529 through 20-529c, inclusive, of the Connecticut General Statutes, the department may renew, suspend or revoke a certificate of registration issued in accordance with section 20-529 of the General Statutes and may impose a civil penalty of not more than twenty-five thousand dollars (\$25,000.00).

(c) Before denying, refusing to renew, suspending or revoking a certificate of registration, or imposing any civil penalty, the department shall give notice and afford an opportunity for a hearing in accordance with chapter 54 of the Connecticut General Statutes and any applicable regulations adopted by the department.

Section 20-529e-15. Background investigation

(a) The department shall have the authority to conduct investigations and examinations for:

(1) the purposes of initial registration, registration renewal, registration suspension, registration conditioning, registration revocation or termination, or general or specific inquiry or investigation to determine compliance with these regulations, the department shall have the authority to access, receive and use any books, accounts, records, files, documents, information or evidence including, but not limited to: (i) criminal, civil and administrative history information, including non-conviction data as specified in applicable provisions of the Connecticut General Statutes; and (ii) any other documents, information or evidence the department deems relevant to the inquiry or investigation regardless of the location, possession, control or custody of such documents, information or evidence; and

(2) the purposes of investigating violations or complaints arising pursuant to sections 20-529e-1 through 20-529e-16, inclusive of the Regulations of Connecticut State Agencies, or for the purposes of examination, the department may review, investigate, or examine any licensee, individual or person subject to these regulations, in order to carry out the purposes of these regulations.

(b) The department may conduct a background check as part of the initial application for registration or the renewal thereof. The Department shall review any information regarding a criminal conviction in accordance with the criteria set forth in Connecticut General Statutes Section 46a-80.

(c) If an applicant, registrant, controlling person, compliance manager, owner or managing principal's criminal history background investigation reveals one or more convictions, the conviction shall not automatically bar registration, provided the conviction is not related to the transfer of real property. The department shall consider the provisions as set forth in section 46a-80(c) of the Connecticut General Statutes, as well as all of the following factors regarding the conviction:

(1) The level of seriousness of the crime;

- (2) The age of the person at the time of the conviction;
- (3) The factual circumstances surrounding the commission of the crime, if known; and
- (4) The person's prison, jail, probation, parole, rehabilitation, and employment records since the date the crime was committed.

Section 20-529e-16. Department record keeping; Reports.

(a) The department shall keep a record of proceedings and orders pertaining to the matters under its jurisdiction and of certifications and licenses granted, refused, denied, suspended, revoked or surrendered in lieu of revocation by it and of all reports sent to its office. The department may furnish, for official use only, certified copies of certifications, provisional licenses and documents relating thereto, to officials of this state or any municipality in this state, to officials of any other state and to any court in this state.

(b) The department is required by Title XI of Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) to transmit reports on a timely basis to the National Appraisal Subcommittee (ASC), any and all supervisory activities involving appraisal management companies or other third-party providers of appraisals and appraisal management services, including investigations initiated and any disciplinary actions taken, to the ASC's National Registry.

Statement of Purpose

Pursuant to CGS Section 4-170(b)(3), "Each proposed regulation shall have a statement of its purpose following the final section of the regulation."

(A) **Purpose:** To set guidelines for the certification of appraisal management companies operating in Connecticut, as well as for the supervision of their operations and activities. To maintain a registry of appraisal management companies who are registered with, and subject to the supervision of the department, or who are operating subsidiaries of a federally regulated financial institution, as determined by federal law including FIRREA. The department shall monitor compliance with appropriate federal law, including USPAP. The department and the ASC shall have the authority to impose sanctions pending state agency action.

(B) **Summary:** These regulations would create new "certifications" that would be issued to businesses who manage and aggregate assignments for Connecticut-based real estate appraisers. These changes are being made pursuant to the direction of the Appraisal Subcommittee, an instrumentality of the federal government whose statutory authority is based upon FIRREA.

(C) **Legal Effects:** This proposed new set of regulations implement Public Act 2010-77, which allows the department to issue new "certifications" covering the business of real estate appraisal management companies.

R-39 Rev. 03/2012
(Certification page—see Instructions on back)

CERTIFICATION

This certification statement must be completed in full, including items 3 and 4, if they are applicable.

- 1) I hereby certify that the above (check one) Regulations Emergency Regulations
- 2) are (check all that apply) adopted amended repealed by this agency pursuant to the following authority(ies): (complete all that apply)
- a. Connecticut General Statutes section(s) 4-168; 20-529e.
- b. Public Act Number(s) _____.
(Provide public act number(s) if the act has not yet been codified in the Connecticut General Statutes.)
- 3) And I further certify that notice of intent to adopt, amend or repeal said regulations was published in the **Connecticut Law Journal** on ____;
(Insert date of notice publication if publication was required by CGS Section 4-168.)
- 4) And that a public hearing regarding the proposed regulations was held on ____;
(Insert date(s) of public hearing(s) held pursuant to CGS Section 4-168(a)(7), if any, or pursuant to other applicable statute.)
- 5) And that said regulations are **EFFECTIVE** (check one, and complete as applicable)
- When filed with the Secretary of the State
- OR on (insert date) _____

DATE	SIGNED (Head of Board, Agency or Commission)	OFFICIAL TITLE, DULY AUTHORIZED Commissioner Department of Consumer Protection
------	--	--

APPROVED by the Attorney General as to legal sufficiency in accordance with CGS Section 4-169, as amended

DATE	SIGNED (Attorney General or AG's designated representative)	OFFICIAL TITLE, DULY AUTHORIZED
------	---	---------------------------------

*Proposed regulations are **DEEMED APPROVED** by the Attorney General in accordance with CGS Section 4-169, as amended, if the attorney General fails to give notice to the agency of any legal insufficiency within thirty (30) days of the receipt of the proposed regulation.*

(For Regulation Review Committee Use ONLY)

- Approved Rejected without prejudice
- Approved with technical corrections Disapproved in part, (Indicate Section Numbers disapproved only)
- Deemed approved pursuant to CGS Section 4-170(c)

By the Legislative Regulation Review Committee in accordance with CGS Section 4-170, as amended	DATE	SIGNED (Administrator, Legislative Regulation Review Committee)
---	------	---

Two certified copies received and filed and one such copy forwarded to the Commission on Official Legal Publications in accordance with CGS Section 4-172, as amended.

DATE	SIGNED (Secretary of the State)	BY
------	---------------------------------	----

(For Secretary of the State Use ONLY)