

---

---

## **OLR Bill Analysis**

### **sHB 7286**

#### ***AN ACT CONCERNING HOME INSPECTORS AND APPRAISERS.***

#### **SUMMARY**

This bill requires “lenders and their agents” to compensate Department of Consumer Protection (DCP)-licensed or certified real estate appraisers at a rate that is “customary and reasonable” for the market area in which the property appraisal services are performed. (Federal law already imposes this requirement on loan transactions involving one-to-four family owner-occupied homes; it appears that the bill extends this requirement to all real estate transactions (commercial and residential) involving a “lender.”) (Under the bill, “lenders and their agents,” are defined the same way as they are for purposes of Regulation Z, the federal law implementing provisions of the federal Truth in Lending Act concerning consumer credit. But it appears that Regulation Z does not contain a definition of “lenders.”)

The bill also requires the DCP commissioner or her agent to publish and maintain on DCP’s website, and update annually, a list of all DCP-licensed home inspectors.

EFFECTIVE DATE: October 1, 2019

#### **DETERMINING APPRAISER COMPENSATION**

Under the bill, “customary and reasonable” fees may be established through third-party information, including government agency fee schedules, academic studies, and independent private sector surveys. The bill specifies that fee studies used as evidence must exclude assignments ordered by known appraisal management companies.

Under the bill, lenders and their agents are presumed to have complied with the bill’s fee requirements if they:

1. pay a fee reasonably related to recent rates paid for comparable

appraisal services performed in the geographic market of the property, considering (a) property type, (b) scope of work, (c) timeframe for performing appraisal, and (d) the appraiser's qualifications, experience, professional record, and work quality; or

2. pay a fee based on objective third-party information, including fee schedules, studies, and independent surveys of recent appraisal fees, excluding those paid by appraisal management companies.

The bill specifies that lenders and their agents may use other means to set appraiser fees and that determining whether those fees comply with the bill's requirements depends on all relevant facts and circumstances; fees are not assumed to be in compliance or violation of the bill's provisions.

The bill does not specify how appraisers can seek enforcement of the bill's customary and reasonable fee requirements.

### **COMMITTEE ACTION**

General Law Committee

Joint Favorable Substitute

Yea 16 Nay 0 (03/21/2019)