

# HOUSE BILL REPORT

## SHB 1012

---

### As Passed Legislature

**Title:** An act relating to maintenance of a surety bond for appraisal management companies.

**Brief Description:** Increasing the penal sum of a surety bond required to be maintained by an appraisal management company.

**Sponsors:** House Committee on Business & Financial Services (originally sponsored by Representatives Stanford, Kirby, Ryu and Hudgins).

#### **Brief History:**

##### **Committee Activity:**

Business & Financial Services: 1/17/13, 1/23/13 [DPS].

##### **Floor Activity:**

Passed House: 3/4/13, 98-0.

Passed Senate: 4/17/13, 48-0.

Passed Legislature.

#### **Brief Summary of Substitute Bill**

- Increases the amount of the surety bond that an appraisal management company must maintain from \$25,000 to \$100,000.
- Permits the Department of Licensing to accept a cash bond or other security in lieu of a surety bond.

---

### HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Kirby, Chair; Ryu, Vice Chair; Parker, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Blake, Habib, Hawkins, Hudgins, Hurst, Kochmar, MacEwen, O'Ban, Santos and Stanford.

**Staff:** Alexa Silver (786-7190).

#### **Background:**

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

An appraisal management company is a business entity that administers a panel of appraisers to complete real estate appraisal assignments on behalf of other entities. An appraisal management company's functions include recruiting appraisers, negotiating fees, and administering appraisal orders. It is unlawful to engage in business as an appraisal management company or to perform appraisal management services without obtaining a license from the Department of Licensing (Department).

Appraisal management services include the following functions performed on behalf of a lender, financial institution, mortgage broker, loan originator, or any other person:

- administering an appraiser panel;
- recruiting, qualifying, verifying licensing or certification, and negotiating fees and service level expectations with persons who are part of an appraiser panel;
- receiving an order for an appraisal from one person or entity and delivering the order to an appraiser for completion;
- tracking and determining the status of appraisal orders;
- conducting quality control of a completed appraisal prior to delivery of the appraisal;
- and
- providing a completed appraisal to one or more persons or entities.

An application for licensure as an appraisal management company must include certain information about the entity and controlling persons, as well as certifications that the entity: has a system for verification of appraisal panel members' licensure or certification; has a system to review the work of appraisers who perform real estate appraisal services; maintains a detailed record of each service request; and maintains a complete copy of appraisal reports.

An applicant for licensure as an appraisal management company must maintain a surety bond of at least \$25,000 for the use and benefit of the state and any person with a cause of action against the licensee. The bond must be conditioned that the licensee will abide by the applicable licensing laws and rules.

**Summary of Substitute Bill:**

An applicant for licensure as an appraisal management company must file and maintain a surety bond of at least \$100,000.

The Director of the Department may accept a cash bond or other security in lieu of a surety bond if the Director determines that surety bonds are not readily available to appraisal management companies. The security must be in the same amount as the required surety bond, and all obligations and remedies relating to surety bonds apply to the security.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This is a simple bill that addresses an issue in the appraisal management industry. Since the state started regulating the industry, a few of these companies have failed, leaving millions of dollars owed to appraisers nationwide. This bill will provide some level of protection to appraisers in Washington for the work they have completed for appraisal management companies. The cost to the appraisal management companies will be minimal.

(Opposed) None.

**Persons Testifying:** Representative Stanford, prime sponsor; and Stan Sidor, Appraisers' Coalition of Washington.

**Persons Signed In To Testify But Not Testifying:** None.