

March 8, 2012

The Honorable Representative Knox  
300 SW 10th  
Topeka, Ks 66612-1504

Dear Senator Knox and Committee Members:

Re: SB - 345

My name is Sally Pritchett, I am testifying today, as Executive Director of the Kansas Real Estate Appraisal Board, on behalf of the full Board in support of Senate Bill 345.

The reasoning for the Kansas Appraisal Management Company (AMC) Registration Act bill is Subtitle F, section 1124, of the federal Dodd-Frank Act. In effect, that section requires states to establish minimum requirements for the registration of appraisal management companies. This section includes requirements that appraisal management companies:

- (1) register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which such company operates (in Kansas, the Real Estate Appraisal Board);
- (2) verify that only licensed or certified appraisers are used for federally related transactions;
- (3) require that appraisals coordinated by an appraisal management company comply with the Uniform Standards of Professional Appraisal Practice (USPAP); and
- (4) require that appraisals are conducted independently and free from inappropriate influence and coercion pursuant to the appraisal independence standards established under section 129E of the Truth in Lending Act.

The Kansas AMC Registration Act, modeled on current acts in other states, was designed to comply with this federal mandate. Passage will continue to allow appraisals performed in Kansas to be sold on the secondary market through financial institutions regulated by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance

Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection.

This Bill was drafted with assistance from appraisers, appraisal management companies, lenders, realtors and several other organizations. Please see the attached timeline of the meetings held and attendees who participated in the drafting of this Bill.

Several minor amendments were made to the bill in the Senate and I have attached a list describing the changes.

Sally Pritchett, Executive Director  
The Kansas Real Estate Appraisal Board

## Kansas Appraisal Management Company Registration Act

The initial draft of the legislation was developed using language already in place in other states. Camille worked to revise the language to apply specifically to Kansas and Kansas laws.

### **Meeting 1**

This meeting was attended by members of the appraisal community and several board members. The legislation was discussed, changes were agreed upon and the draft was modified to incorporate the changes.

### **Meeting 2**

This meeting was attended by members of the AMC community, several appraisers and two board members. Again the legislation was discussed, changes suggested, after the group agreed upon changes needed, the draft was modified.

### **Meeting 3**

This meeting was attended by lenders, bankers association, realtors association, banking commission, several appraisers and three board members. Again the legislation was discussed, changes suggested, the group agreed to modify some of the language, these modifications were made to the draft.

### **Distribution of Draft**

After the above meetings, the proposed legislation draft was emailed to all previous attendees for review. Several substantial comments and suggested changes were received.

### **Conference Call**

After distribution of the draft there were several concerns with some of the changes that had been made to the draft. The main concern was the change to 10% ownership. A conference call was held to discuss the issues the board received. It was the consensus of those participating in the call to modify the language and the draft could now go before the entire board for approval.

### **Board Approval of Draft**

After the above meetings, the proposed legislation draft was emailed to all previous attendees for review. Several minor changes were suggested to the board. The board reviewed the final draft of the legislation and agreed to make the minor changes received. The board voted unanimously to approve the legislation allowing Camille and staff to modify to incorporate changes agreed to at the November meeting.

### **Final Draft**

There was no opposition received to the final draft. The following have agreed to support the Bill when presented in the 2012 session.

Tim O'Brien (RELS)  
Bankers Association (Kathy Olson)  
Appraisal Institute (Scott Dibiasio)  
Realtors Association (Luke Bell)

SB 345 – changes made by the Senate

Title corrected to Kansas *appraisal* management company registration act from Kansas management company registration act.

Effective date changed to publication in the statute book from October 1, 2012.

Various technical changes as suggested by Revisor's office, e.g. moving section 4 to section 15, to make the bill read in a more logical manner.



CoreLogic

The Honorable Senator Brungardt  
300 SW 10<sup>th</sup> Street  
Topeka, Ks 66612-1504

Re: Kansas SB 345, regarding Appraisal Management Company Registration Act

Dear Senator Brungardt:

I am writing in support of the current form of the above-referenced bill, and urge that it be passed out of committee for consideration by the full State Senate.

As Chief Appraiser for my firm, and as a member of the Real Estate Valuation Advocacy Association (REVAA), my opinion is that the current bill is comparable to the best AMC registration acts passed in other states. It balances consumer protection, ensuring that all appraisal management companies meet minimum standards, without imposing onerous processes which would ultimately raise costs to Kansas residents.

If you or your committee has technical or industry questions, I would be pleased to offer my assistance. Just give me a call or email to discuss.

Respectfully Submitted.

Wes McDaniel  
Chief Appraiser  
Valuation Services



CoreLogic

Direct 480.306.6768  
Mobile 602.363.7106  
Fax 817.826.2215  
[wmcdaniel@corelogic.com](mailto:wmcdaniel@corelogic.com)

1CoreLogic Drive  
Building 5-2  
Westlake, TX 76262



MARK R. JOHNSON  
SVP/LPS VALUATIONS EXECUTIVE

The Honorable Senator Brungardt  
300 SW 10<sup>th</sup> Street  
Topeka, KS 66612-1504

Re: Senate Bill No. 345

Dear Senator Brungardt:

My name is Mark Johnson; I am the General Manager of LSI Appraisal. LSI is a large appraisal management company. LSI has reviewed Senate Bill No. 345 and supports the bill as it is written.

Sincerely,

Mark R. Johnson

Pritchett, Sally L [REAB]

---

To: Mark Freitag  
Subject: RE: Written Testimony AMC Legislation

February 6, 2012

The Honorable Senator Brungardt  
300 SW 10th  
Topeka, KS 66612-1504

Re: SB-345

Dear Senator Brungardt:

I am an appraiser in Kansas and a national appraisal instructor. Over the past decade an unregulated business, the Appraisal Management Company industry, has become a significant and increasing presence in the ordering and management of appraisal services ordered in Kansas. Unfortunately many of these companies, not all, engage in unscrupulous activities which harm consumers, appraisers and the lending community. These unethical activities include pressure on appraisers to meet target appraisal values, threats of non-payment or removal from appraisal panels if target values are not met, hiring unqualified or under qualified appraisers, misleading appraisal fees on closing statements and forcing appraisers to indemnify appraisal management companies against irresponsible business practices. I am not against AMC's, I work for a few of the reputable ones. But due to the widespread abuses attributed to many of these companies, regulation is long over-due. I have read SB-345 and I believe it will have a very positive effect on the integrity of the appraisal industry and I strongly support this legislation.

Mark Freitag, SRA  
316-264-3922

**Rels Valuation**  
8009 34th Avenue South / Suite 1300  
Bloomington MN 55425  
Rels.info



February 6, 2012

The Honorable Senator Brungardt  
300 SW 10th  
Topeka, KS 66612-1504

Re: Appraisal Management Company Legislation (S.B. 345)

Dear Senator Brungardt:

My name is William C. Baker, and I am the Director of Compliance for Valuation Information Technology, LLC. On behalf of the company, which does business as an appraisal management company (AMC) in Kansas and other states under the name Rels Valuation, I am writing to express our support for the above-referenced bill.

We believe that reasonable regulation of appraisal management companies is prudent and sensible, and we feel the bill establishes appropriate requirements and safeguards without imposing unnecessary burdens on AMCs. Consequently, we urge the Kansas legislature to enact it as drafted.

My contact information is below.

Bill Baker  
Phone: 952.345.4965  
Fax: 952.367.8739  
8009 34th Avenue South, Suite 1300  
Bloomington, MN 55425

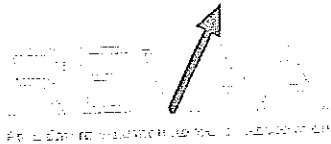
Sincerely,

RELS VALUATION

A handwritten signature in black ink that reads "William C. Baker".

William C. Baker  
Director - Compliance





734 15th St. NW  
Suite 900  
Washington, DC 20005  
888-498-1114  
[www.revaa.org](http://www.revaa.org)

The Honorable Senator Brungardt  
300 SW 10<sup>th</sup> Street  
Topeka, KS 66612-1504  
c/o Sally Pritchett  
re: SB 345

Dear Senator Brungardt:

On behalf of the Real Estate Valuation Advocacy Association I am pleased to write in support of Bill SB 345 regarding Appraisal Management Companies. REVA is an association representing AMCs and appreciates the work done to advance this legislation. Nearly 30 other states have passed AMC registration legislation and a consistent uniform program for reasonable oversight advances the interests of consumers, lenders, investors and service providers.

Thank you for your consideration of this legislation.

Sincerely,

Don Kelly  
Real Estate Valuation Advocacy Association, Executive Director  
734 15<sup>th</sup> Street NW, Suite 900  
Washington DC 20005  
202.942.9461  
[Don.kelly@revaa.org](mailto:Don.kelly@revaa.org)



200 W. Madison  
Suite 1500  
Chicago, IL 60606

T (312) 335-4100  
F (312) 335-4400  
[www.appraisalinstitute.org](http://www.appraisalinstitute.org)

February 6, 2012

The Honorable Pete Brungardt  
Chair, Federal & State Affairs Committee  
300 SW 10th  
Topeka, KS 66612-1504

**Re: Senate Bill 345 – Kansas Appraisal Management Company Registration Act**

Dear Senator Brungardt:

The Appraisal Institute (AI) strongly supports Senate Bill (SB) 345 – the Kansas Appraisal Management Company Registration Act – which has been put forth by the Committee on Financial Institutions and Insurance. We encourage you, and your fellow committee members, to support SB 345 when it is heard by the Federal & State Affairs Committee on Tuesday, February 7, 2012. SB 345 is the culmination of a year-long effort on the part of the Kansas Real Estate Appraiser Board, the Kansas chapters of the Appraisal Institute, Kansas Association of Realtors, Kansas Bankers' Association, and others, to develop a consensus bill that all parties could support.

AI is a global membership association of professional real estate appraisers with nearly 23,000 members in nearly 60 countries throughout the world. Our mission is to advance professionalism and ethics, global standards, methodologies, and practices through the professional development of property economics worldwide. The majority of Appraisal Institute members are practicing real estate appraisers and property analysts who provide valuation-related services to such clients as mortgage lenders, financial institutions, government agencies, attorneys, accountants and financial planners as well as homeowners and other individual consumers.

SB 345 promotes public trust and consumer protection, and establishes oversight and enforcement where there is none today. When enacted, the provisions of SB 345 will help to protect lenders, financial institutions, clients, consumers, and the public from interference with the independence, objectivity, and impartiality of the real estate process. SB 345 will also help to ensure that the appraisals utilized by lenders to make underwriting decisions for mortgage loans will be completed by qualified and competent appraisers and will be of the highest quality possible.

Appraisal management companies (AMCs) are business entities that administer networks of independent appraisers to fulfill real estate appraisal assignments on behalf of lenders and other clients. The AMC recruits, qualifies, verifies licensure, negotiates fees paid to the appraisers, and service level expectations with a network of third-party appraisers who complete the appraisal assignments. The AMC is also responsible for certain tasks

associated with the collateral valuation process, including appraisal review, quality control, market value dispute resolution, warranty administration, and record retention.

The implementation of robust appraiser independence standards, with strict prohibitions on mortgage loan originator ordered appraisals, and requirements for the strict separation of the appraisal ordering function from loan production staff within lending institutions, has resulted in a much larger role for AMCs in the collateral valuation process and significant growth in the AMC industry. However, the tremendous growth in the AMC industry over the last several years has not been without problems for appraisers.

Of particular concern to appraisers is the widespread “cramdown” of appraisal fees. AMCs market their services to lenders by stating that they will lower the lender’s backroom costs. How can they do this? Simply put, they do this on the backs of local appraisers who are forced to accept significant reductions in market appraisal fees, while a large percentage of a borrower’s application fee goes to the AMC as a “management fee”. This scheme is so profitable that some lenders have created their own captive AMCs which turn a profit from what used to be an internal underwriting expense.

As of today, AMCs operating in Kansas, which control tens of thousands of appraisal assignments each year, are not required to register with any government agency, and are not subject to any state or federal regulation. SB 345 would enact a reasonable registration and regulatory structure for AMCs operating in Kansas. Of particular importance is the fact that the federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 mandates that states adopt registration and regulatory requirements for AMCs within approximately three years.

As currently drafted, SB 345 would:

- Require AMCs operating in Kansas that order appraisals to register with the Kansas Real Estate Appraisers Board;
- Prohibit AMCs from being owned and/or managed by individuals who have had an appraiser license or certification denied, refused, cancelled or revoked in any state, unless that license or certificate has been subsequently reinstated;
- Require the identification of a “controlling person” for each AMC that will serve as the main point of contact for the Board;
- Require AMCs to have systems in place to: 1) verify that they only utilize licensed or certified appraisers; and 2) ensure that all appraisals are in compliance with the Uniform Standards of Professional Appraisal Practice;
- Enact requirements that ensure that appraisers are free from coercion or inappropriate influence from AMCs, including provisions that prohibit an AMC

from withholding payment to an appraiser that doesn't hit a predetermined property value;

- Prohibit the alteration of appraisal reports by AMCs;
- Provide for the adjudication of disputes between AMCs and independent appraisers; and
- Establish violations and penalties.

While we strongly support SB 345 in its current form, we would respectfully suggest the following modifications:

1. AMCs should be required to post a surety bond that protects both the state (in the case of unpaid fees, fines, etc. as well as appraisers who have performed services for an AMC but have not received payment. Addition of the following language to Section 4 (c) (and renumber accordingly) of SB 345 would accomplish this:

*“(c) An applicant for issuance of a registration as an appraisal management company pursuant to this chapter shall file with the Board a surety bond with one or more corporate sureties authorized to do business in this state in an amount that is not less than one-hundred and fifty percent (150%) of the average amount of the billings of the appraisal management company in the state during the previous twelve month period.”*

2. The following language should be added to Section 4(b)(12):

*“...established under Section 129E of the truth in lending act, including the requirements for the payment of a reasonable & customary fee, as specified in subsection (a) of section 18”*

We appreciate this opportunity to provide written comments regarding this bill. If you should have any questions, please do not hesitate to contact Scott DiBiasio, Appraisal Institute Manager of State Affairs at (202) 298-5593 or [sdibiasio@appraisalinstitute.org](mailto:sdibiasio@appraisalinstitute.org).

Sincerely,

Appraisal Institute

Cc: Members of the Federal & State Affairs Committee



CoreLogic

The Honorable Senator Brungardt  
300 SW 10<sup>th</sup> Street  
Topeka, Ks 66612-1504

Re: Kansas SB 345, regarding Appraisal Management Company Registration Act

Dear Senator Brungardt:

I am writing in support of the current form of the above-referenced bill, and urge that it be passed out of committee for consideration by the full State Senate.

As Chief Appraiser for my firm, and as a member of the Real Estate Valuation Advocacy Association (REVAA), my opinion is that the current bill is comparable to the best AMC registration acts passed in other states. It balances consumer protection, ensuring that all appraisal management companies meet minimum standards, without imposing onerous processes which would ultimately raise costs to Kansas residents.

If you or your committee has technical or industry questions, I would be pleased to offer my assistance. Just give me a call or email to discuss.

Respectfully Submitted.

**Wes McDaniel**  
Chief Appraiser  
Valuation Services



CoreLogic

Direct 480.306.6768  
Mobile 602.363.7106  
Fax 817.826.2215  
[wmcdaniel@corelogic.com](mailto:wmcdaniel@corelogic.com)

1CoreLogic Drive  
Building 5-2  
Westlake, TX 76262



February 7, 2012

To: Senate Committee on Federal and State Affairs

From: Kathleen A. Taylor, Kansas Bankers Association *Kat*

Re: **SB 345: Kansas Management Company Registration Act**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity today to present written testimony in support of **SB 345**, which develops a process for real estate appraisal management company registration and regulation.

As this idea was being developed through the channels provided by the Kansas Real Estate Appraisal Board (KREAB), the KBA was afforded the opportunity to present comments and suggestions for revisions. We did so, and feel comfortable that the draft being presented today represents a blend of the ideas presented from all sides.

While there are very few KBA member banks that would fall under the definition of an appraisal management company, or that have an affiliate that would be so considered, we were concerned that the proposal not only protect consumers and lenders alike from any harm, but also that the process be meaningful without being onerous. We are grateful to the KREAB for putting forth a bill that accomplishes these goals.

The KBA would respectfully request that the Committee favorably consider **SB 345** for passage. Thank you for your time and attention to this matter.

**Rels Valuation**  
8009 34th Avenue South / Suite 1300  
Bloomington MN 55425  
Rels.info



February 6, 2012

The Honorable Senator Brungardt  
300 SW 10th  
Topeka, KS 66612-1504

Re: Appraisal Management Company Legislation (S.B. 345)

Dear Senator Brungardt:

My name is William C. Baker, and I am the Director of Compliance for Valuation Information Technology, LLC. On behalf of the company, which does business as an appraisal management company (AMC) in Kansas and other states under the name Rels Valuation, I am writing to express our support for the above-referenced bill.

We believe that reasonable regulation of appraisal management companies is prudent and sensible, and we feel the bill establishes appropriate requirements and safeguards without imposing unnecessary burdens on AMCs. Consequently, we urge the Kansas legislature to enact it as drafted.

My contact information is below.

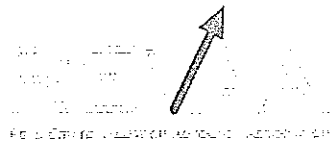
Bill Baker  
Phone: 952.345.4965  
Fax: 952.367.8739  
8009 34th Avenue South, Suite 1300  
Bloomington, MN 55425

Sincerely,

RELS VALUATION

A handwritten signature in black ink, appearing to read "William C. Baker".

William C. Baker  
Director - Compliance



734 15th St. NW  
Suite 900  
Washington, DC 20005  
888-498-1114  
[www.revaa.org](http://www.revaa.org)

The Honorable Senator Brungardt  
300 SW 10<sup>th</sup> Street  
Topeka, KS 66612-1504  
c/o Sally Pritchett  
re: SB 345

Dear Senator Brungardt:

On behalf of the Real Estate Valuation Advocacy Association I am pleased to write in support of Bill SB 345 regarding Appraisal Management Companies. REVA is an association representing AMCs and appreciates the work done to advance this legislation. Nearly 30 other states have passed AMC registration legislation and a consistent uniform program for reasonable oversight advances the interests of consumers, lenders, investors and service providers.

Thank you for your consideration of this legislation.

Sincerely,

Don Kelly  
Real Estate Valuation Advocacy Association, Executive Director  
734 15<sup>th</sup> Street NW, Suite 900  
Washington DC 20005  
202.942.9461  
[Don.kelly@revaa.org](mailto:Don.kelly@revaa.org)



Pritchett, Sally L [REAB]

---

To: Mark Freitag  
Subject: RE: Written Testimony AMC Legislation

February 6, 2012

The Honorable Senator Brungardt  
300 SW 10th  
Topeka, KS 66612-1504

Re: SB-345

Dear Senator Brungardt:

I am an appraiser in Kansas and a national appraisal instructor. Over the past decade an unregulated business, the Appraisal Management Company industry, has become a significant and increasing presence in the ordering and management of appraisal services ordered in Kansas. Unfortunately many of these companies, not all, engage in unscrupulous activities which harm consumers, appraisers and the lending community. These unethical activities include pressure on appraisers to meet target appraisal values, threats of non-payment or removal from appraisal panels if target values are not met, hiring unqualified or under qualified appraisers, misleading appraisal fees on closing statements and forcing appraisers to indemnify appraisal management companies against irresponsible business practices. I am not against AMC's, I work for a few of the reputable ones. But due to the widespread abuses attributed to many of these companies, regulation is long over-due. I have read SB-345 and I believe it will have a very positive effect on the integrity of the appraisal industry and I strongly support this legislation.

Mark Freitag, SRA  
316-264-3922