

AN ACT

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To require, on a temporary basis, the Department of Insurance, Securities, and Banking to provide for the licensing of certain entities providing appraisal management services in the District of Columbia and to require an annual registration fee to be paid by those entities.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Appraisal Management Company Regulation Temporary Act of 2020”.

TITLE I. APPRAISAL MANAGEMENT COMPANY REGULATIONS

Sec. 101. Definitions.

For purposes of this act, the term:

(1) “Affiliate” means any company that controls, is controlled by, or is under common control of another company.

(2) “AMC National Registry” means the registry of state-registered appraisal management companies and federally regulated appraisal management companies maintained by the Appraisal Subcommittee.

(3) “Appraisal Foundation” means the Appraisal Foundation established on November 30, 1987, as a not-for-profit corporation under the laws of Illinois.

(4) “Appraisal management company” means a person, not including a department or division of an entity that provides appraisal management services only to that entity, that:

(A)(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates; or

(ii) Provides appraisal management services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(B) At any time in a 12-calendar month period oversees an appraiser panel of more than 15 state-certified or state-licensed appraisers in a state or 25 or more state-certified or state-licensed appraisers in 2 or more states, as described in section 103.

(5) "Appraisal management services" means one or more of the following:

(A) Recruiting, selecting, and retaining appraisers;

(B) Contracting with state-certified or state-licensed appraisers to perform appraisal assignments;

(C) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(D) Reviewing and verifying the work of appraisers.

(6) "Appraisal panel" means a network, list, or roster of licensed or certified appraisers approved by an appraisal management company to perform appraisals as independent contractors for the appraisal management company. Appraisers on an appraiser panel include both appraisers accepted by the appraisal management company for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions, and appraisers engaged by the appraisal management company to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor or if the appraiser is treated as an independent contractor by the appraisal management company for purposes of federal income taxation.

(7) "Appraisal review" means the act or process of developing and communicating an opinion about the quality of another appraiser's work that was performed as part of an appraisal assignment and is related to the appraiser's data collection, analysis, opinions, conclusions, estimate of value, or compliance with the uniform standards of professional appraisal practice. This term does not include:

(A) A general examination for grammatical, typographical, or other similar errors;

(B) A general examination for completeness, including regulatory or client requirements as specified in the agreement process that does not communicate an opinion of value.

(8) "Appraisal Subcommittee" means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(9) "Consumer credit" means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(10) "Controlling person" means:

(A) An officer, director, or owner of greater than a 10% interest of a corporation, partnership, or other business entity seeking to act as an appraisal management company;

(B) An individual employed, appointed, or authorized by an appraisal management company that has the authority to enter a contractual relationship with other persons for the performance of services requiring registration as an appraisal management company and has the authority to enter agreements with appraisers for the performance of appraisals; or

(C) An individual who possesses, directly or indirectly, the power to direct or cause the direction of the management of policies of an appraisal management company.

(11) “Covered transaction” means any consumer credit transaction secured by the consumer’s principal dwelling.

(12) “Creditor” means a person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than 4 installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension for transactions secured by a dwelling.

(13) “Department” means the Department of Insurance, Securities, and Banking.

(14) “District” means the District of Columbia.

(15) “Dwelling” means a residential structure that contains one to 4 units, regardless of whether that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

(16) “Federal financial institutions regulatory agency” includes the Consumer Financial Protection Bureau, the Federal Housing Finance Agency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the National Credit Union Administration.

(17) “Federally regulated appraisal management company” means an appraisal management company that is owned and controlled by an insured depository institution, as defined in section 3(c)(2) of the Federal Deposit Insurance Act, approved September 21, 1950 (64 Stat. 873; 12 U.S.C. § 1813(c)(2)), and regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration.

(18) “Federally regulated transaction regulations” means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to sections 1112, 1113, and 1114 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, approved August 9, 1989 (103 Stat. 183; 12 U.S.C. §§ 3341-3343).

(19) “Federally related transaction” means any real-estate-related financial transaction that involves an insured depository institution regulated by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal

Deposit Insurance Corporation, or National Credit Union Administration and that requires the services of an appraiser under the interagency appraisal rules.

(20) "Person" means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(21) "Principal dwelling" means the primary residence of a consumer. For purposes of this act, a consumer may only have one principal dwelling. A vacation or other second home shall not be considered a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer's primary residence within one year or upon completion of the construction, the new residence shall be considered the principal dwelling for purposes of this act.

(22) "Real-estate-related financial transaction" means any transaction involving the sale, lease, purchase, investment in, or exchange of real property, including interests in property or the financing thereof; the refinancing of real property or interests in real property; or the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(23) "Secondary mortgage market participant" means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. The term includes an individual investor in a mortgage-backed security only if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(24) "State" includes the District of Columbia.

(25) "Uniform Standards of Professional Appraisal Practice" or "USPAP" means the appraisal standards as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

Sec. 102. Administration.

(a) The Department shall have the authority to adopt rules that are reasonably necessary to establish an appraisal management company licensing program and implement, administer, and enforce the provisions set forth under this act.

(b) The Department shall charge appraisal management companies operating in the District reasonable fees to administer this act. The Department's fees shall be established by rule.

(c) The Department shall perform the following functions:

(1) Review and approve or deny an appraisal management company's application for initial registration in the District;

(2) Periodically review and renew or review and deny an appraisal management company's registration;

(3) Examine the books and records of an appraisal management company operating in the District and require the appraisal management company to submit reports, information, and documents;

(4) Verify that the appraisers on the appraiser panel of an appraisal management company operating in the District hold valid District certifications or licenses, as applicable;

(5) Conduct investigations of appraisal management companies operating in the District to assess potential violations of applicable appraisal-related laws, regulations, or orders; and

(6) Report an appraisal management company's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about the operations of an appraisal management company operating in the District.

(d) The Department shall impose requirements on appraisal management companies operating in the District that are not owned and controlled by an insured depository institution and not regulated by a federal financial institutions regulatory agency to:

(1) Register with and be subject to supervision by the Department;

(2) Engage only state-certified or state-licensed appraisers for federally related transactions in conformity with any federally regulated transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the appraisal management company, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct appraisers to perform assignments in accordance with Uniform Standards of Professional Appraisal Practice; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the appraisal management company conducts its appraisal management services in accordance with the requirements of section 129E(a)-(i) of the Truth in Lending Act, approved July 21, 2010 (124 Stat. 2187; 15 U.S.C. § 1639e(a)-(i)), and regulations thereunder.

(e) The Department shall maintain a list of the appraisal management companies that are registered in the District.

(f) The Department shall issue a unique registration number to each appraisal management company that is registered in the District pursuant to regulations or guidance promulgated by the Department.

(g) The Department shall require an appraisal management company registered in the District to place its registration number on engagement documents utilized by the appraisal management company to procure appraisal services in the District.

Sec. 103. Appraisal panel size and calculation.

(a) For purposes of determining whether a person is an appraisal management company within the meaning of section 101(4), an appraiser is deemed part of an appraiser panel as of the earliest date on which the person overseeing the appraisal panel:

(1) Accepts the appraiser for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for covered transactions or secondary mortgage market participant in connection with covered transactions.

(b) An appraiser who is deemed part of an appraiser panel pursuant to subsection (a) of this section is deemed to remain on the panel until the date on which the person overseeing the appraisal panel:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an appraiser panel pursuant to subsection (b)(2) of this section, but the person overseeing the appraisal panel subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the 12 months after the appraiser's removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the appraiser panel without interruption.

Sec. 104. Registration.

(a) It shall be unlawful for a person to directly or indirectly engage or to attempt to engage in business as an appraisal management company in the District, or to advertise or hold itself out as engaging in or conducting business as an appraisal management company in the District without first obtaining a registration issued by the Department.

(b) An applicant for registration as an appraisal management company in the District shall submit to the Department an application on forms prescribed by the Department and pay a fee established by the Department. The forms shall require information necessary to determine eligibility for registration.

(c) Upon registration of an appraisal management company in the District, the Department may require a surety bond of not more than \$25,000.

Sec. 105. Reporting requirements.

(a) The Department shall collect from each appraisal management company registered or seeking to be registered in the District the information and fees that the Department requires to be submitted to it pursuant to regulations or guidance promulgated by the Department.

(b) A federally regulated appraisal management company operating in the District must report to the Department the information required to be submitted by the District to the Appraisal Subcommittee, pursuant to the Appraisal Subcommittee's policies regarding the determination of

the appraisal management company National Registry fee. These reporting requirements will be set forth by the Department by rule, and will include:

- (1) A report to the Department on a form prescribed by the Department of intent to operate in the District of Columbia;
- (2) Information related to whether the appraisal management company is owned in whole or in part, directly or indirectly, by any person who has had an appraiser license or certificate refused, denied, canceled, surrendered in lieu of revocation, or revoked in any state for a substantive cause, as determined by the Appraisal Subcommittee; and
- (3) If such a person has had such action taken on his or her appraisal license, information related to whether the license was revoked for a substantive cause and whether it has been reinstated by the state or states in which the appraiser was licensed or certified.

Sec. 106. Appraisal management company requirements.

(a) An appraisal management company operating in the District shall meet the following requirements at all times:

(1) At the time of applying for registration or renewing registration in the District, the appraisal management company shall designate one of its controlling persons to serve as the main contact for all communication between the Department and the company. The designated controlling person shall:

(A) Remain in good standing in the District and in any other state that has issued the controlling person an appraiser license or certification; however, nothing in this act shall require that a designated controlling person hold or continue to hold an appraiser license or certification in any jurisdiction;

(B) Never have had an appraiser license or certification in the District or any other state refused, denied, canceled, revoked, or surrendered in lieu of a pending disciplinary proceeding in any jurisdiction and not subsequently reinstated or granted; and

(C) Be of good moral character;

(2) Before or at the time of placing an assignment to appraise real property in the District with an appraiser on the appraiser panel of the appraisal management company, the appraisal management company shall verify that the appraiser receiving the assignment holds an appraiser license or certification in good standing in the District;

(3) Any employee of or independent contractor to the appraisal management company who performs an appraisal review for a property located in the District must be a certified or licensed appraiser in good standing in the District; and

(4) An appraisal management company registered in the District shall place its registration number on engagement documents utilized by the appraisal management company to procure appraisal services in the District of Columbia.

(b) An appraisal management company that has a reasonable basis to believe an appraiser has materially failed to comply with applicable laws or rules or has materially violated the

USPAP shall refer the matter to the Department in conformance with applicable federal laws and regulations.

Sec. 107. Verification of licensure or certification.

(a) An appraisal management company registered in the District may not enter into any contract or agreement with an appraiser for the performance of appraisals in the District unless the company verifies that the appraiser is licensed or certified in good standing in the District.

(b) An appraisal management company seeking to be registered or to renew a registration in the District shall certify to the Department on a form prescribed by the Department that the company has a system and process in place to verify that an individual being added to the appraiser panel of the company for appraisal services holds an appraiser license or certification in good standing in the District.

Sec. 108. Retention of records.

(a) Each appraisal management company seeking to be registered or to renew an existing registration in the District shall certify to the Department on a form prescribed by the Department that the company maintains a detailed record of each service request that the company receives for appraisals of real property located in the District.

(b) An appraisal management company registered in the District shall retain all records required to be maintained under this act for at least 5 years after the file is submitted to the appraisal management company or for at least 2 years after final disposition of any related judicial proceeding of which the appraisal management company is provided notice, whichever period expires later.

(c) All records required to be maintained by the registered appraisal management company shall be made available for inspection by the Department on reasonable notice to the appraisal management company.

Sec. 109. Payment to appraisers.

(a) An appraisal management company shall, except in bona fide cases of breach of contract or substandard performance of services, make payment to an independent appraiser for the completion of an appraisal or valuation assignment no later than 45 days after the date on which the appraiser transmits or otherwise provides the completed appraisal or valuation assignment to the company or its assignee unless a mutually agreed-upon alternate arrangement previously has been established.

(b) An appraisal management company seeking to be registered or to renew an existing registration in the District shall certify that the company will require appraisals to be conducted independently as required by the appraisal independence standards under section 129E of the Truth in Lending Act, approved July 21, 2010 (124 Stat. 2187; 15 U.S.C. § 1639e), including the requirement that a customary and reasonable fee be paid to an independent appraiser who

completes an appraisal in connection with a consumer credit transaction secured by a principal dwelling.

Sec. 110. Prohibited conduct.

A violation of this section may constitute grounds for discipline against an appraisal management company registered in the District. However, nothing in this act shall prevent an appraisal management company from requesting that an appraiser provide additional information about the basis for a valuation, correct objective factual errors in an appraisal report, or consider additional appropriate property information. No employee, director, officer, agent, independent contractor, or other third party acting on behalf of an appraisal management company may do any of the following:

(1) Procure or attempt to procure a registration or renewal by knowingly making a false statement, submitting false information, or refusing to provide complete information in response to a question in an application for registration or renewal;

(2) Willfully violate this act or rules of the Department pertaining to this act;

(3) Improperly influence or attempt to improperly influence the development, reporting, result, or review of an appraisal through intimidation, coercion, extortion, bribery, or any other manner, including:

(A) Withholding payment for appraisal services;

(B) Threatening to exclude an appraiser from future work or threatening to demote or terminate the appraiser in order to improperly obtain a desired result;

(C) Conditioning payment of an appraisal fee upon the opinion, conclusion, or valuation to be reached by the appraiser; or

(D) Requesting that an appraiser report a predetermined opinion, conclusion, or valuation, or the desired valuation of any person or entity;

(4) Alter, amend, or change an appraisal report submitted by an appraiser without the appraiser's knowledge and written consent;

(5) Except within the first 90 days after an independent appraiser is added to an appraiser panel, remove an independent appraiser from an appraiser panel without prior written notice to the appraiser, with the prior written notice including evidence of the following, if applicable:

(A) The appraiser's illegal conduct;

(B) A violation of USPAP, this act, or the rules adopted by the Department pursuant to this act;

(C) Improper or unprofessional conduct; or

(D) Substandard performance or other substantive deficiencies;

(6) Require an appraiser to sign any indemnification agreement that would require the appraiser to defend and hold harmless the appraisal management company or any of its agents or employees for any liability, damage, losses, or claims arising out of the services

performed by the appraisal management company or its agents, employees, or independent contractors and not the services performed by the appraiser;

(7) Prohibit lawful communications between the appraiser and any other person whom the appraiser, in the appraiser's professional judgment, believes possesses information that would be relevant;

(8) Fail to timely respond to any subpoena or any other request for information;

(9) Fail to timely obey an administrative order of the Department; or

(10) Fail to fully cooperate in any investigation.

Sec. 111. Disciplinary proceedings.

The Department may deny, suspend, or revoke the registration of an appraisal management company, impose a monetary penalty of an amount not to exceed \$5,000 per violation, issue a letter of reprimand, refuse to issue or renew the registration of an appraisal management company, or take other disciplinary action against an appraisal management company when an appraisal management company engages in conduct prohibited under section 110.

Sec. 112. Criminal history checks.

The Department shall require any controlling person or persons to submit to a criminal history record check. All costs associated with obtaining a background check shall be the responsibility of the appraisal management company.

TITLE II. FISCAL IMPACT STATEMENT; EFFECTIVE DATE.

Sec. 201. Fiscal impact statement.

The Council adopts the fiscal impact statement of the Budget Director as the fiscal impact statement required by section 4a of the General Legislative Procedures Act of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

Sec. 202. Effective date.

(a) This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

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(b) This act shall expire after 225 days of its having taken effect.

Chairman
Council of the District of Columbia

Mayor
District of Columbia