EXHIBIT 3
DATE 1/24/2011
HB 188

House Bill 188 - Appraisal Management Company Licensing and Regulation Act

- State AMC legislation promotes public trust and consumer protection, and establishes oversight and enforcement where there is none today.

- Enactment of this bill into law will require greater accountability, responsibility and transparency on the part of third-party brokers of appraisal services.

- Appraisal management companies (AMC) are business entities that administer networks of independent appraisers to fulfill real estate appraisal assignments on behalf of lenders.

- AMCs are third-party brokers of appraisal services that sit between banks and other mortgage originators, and licensed or certified appraisers who perform real estate appraisals.

- The AMC recruits, qualifies, verifies licensure, negotiates fees and service level expectations with a network of third-party appraisers. In some cases, the AMC is also responsible for many tasks associated with the collateral valuation process, including appraisal review, quality control, market value dispute resolution, warranty administration, and record retention.

- While appraisal management companies have been in existence for many years, the industry has experienced growth as a result of outsourcing by many financial institutions, particularly in response to the Home Valuation Code of Conduct which went into effect in May, 2009.

- The advent of the appraisal management industry has resulted in many problems for appraisers.

- One of the biggest issues is with the transparency of how AMCs fund their operations – on the backs of appraisers by retaining a disproportionate share of the appraisal fee that is paid by a consumer.

- The Federal Housing Administration has recognized this issue, and has issued a new Mortgagee Letter that requires that AMCs charge lenders a separate fee for appraisal management services, rather than taking it from the fee paid by the consumer for an appraisal.

- FHA has also required that AMCs disclose the amount that is paid to an appraiser for an appraisal, and the amount that they charge the lender for appraisal management services.

- There have also been reported instances of appraisers losing their licenses to revocation and forming an appraisal management company outside the specter of a state appraisal regulatory agency.

- When this legislation is enacted into law, no individual who has had their appraiser license revoked would be permitted to be involved in the ownership or management of an AMC.

- To date, appraisal management companies are not required to register with any government agency, and are not subject to any state or federal regulation.

- The appraisal management company is the only entity in the real estate valuation process that is not subject to licensing or regulation by any government agency, or any laws or regulations specific to their activity.

- This legislation will enact a reasonable registration and regulatory structure for AMCs operating in this state.